

PART ONE OF THE
DRINKING WATER BOARD
PACKET
FOR
SEPTEMBER 14, 2007

DRINKING WATER BOARD
PACKET

SEPTEMBER 14, 2007

WEST JORDAN, UTAH

ITINERARY

JORDAN VALLEY WATER
CONSERVATION DISTRICTS

CONSERVATION GARDEN PARK
TOUR



State of Utah

Department of
Environmental Quality

Richard W. Sprott
Executive Director

DIVISION OF DRINKING WATER
Kenneth H. Bousfield, P.E.
Director

Drinking Water Board
Anne Erickson, Ed.D., *Chair*
Myron Bateman, *Vice-Chair*
Kenneth Bassett
Daniel Fleming
Jay Franson, P.E.
Helen Graber, Ph.D.
Paul Hansen, P.E.
Petra Rust
Richard Sprott
David Stevens, Ph.D.
Ron Thompson
Kenneth H. Bousfield, P.E.
Executive Secretary

JON M. HUNTSMAN, JR.
Governor

GARY HERBERT
Lieutenant Governor

**DRINKING WATER BOARD
ITINERARY**

September 14, 2007

Place: Jordan Valley Water Conservancy District
8215 South 1300 West
West Jordan, Utah
Ken Wilde's Cell Phone No: (801) 674-2563

- 8:45 a.m. 1. Meet at: Jordan Valley Water Conservancy District
in their Board Room (address above)
Phone No: (801) 565-4300, Jackie Maas (contact)
- 9:00 a.m. 2. Briefing about the Conservation Garden Park
- 9:20 a.m. 3. Tour the Conservation Garden Park
- 10:10 a.m. 4. Presentation about what JVWCD is doing: ground water
remediation, population growth patterns in Salt Lake
Valley, proposed drinking water construction projects, etc.
- 10:45 a.m. 5. Break
- 11:00 a.m. 6. Drinking Water Board Executive Session: Body Politic
Rulemaking Discussion
- 11:45 a.m. 7. Lunch during Executive Session
- 1:00 pm. 8. Drinking Water Board Meeting
In Jordan Valley WCD's Board Room
- 4:00 p.m. 9. Adjourn

In compliance with the American Disabilities Act, individuals with special needs (including auxiliary communicative aids and services) should contact Brooke Baker, Office of Human Resources at: (801) 536-4412, TDD (801) 536-4414, at least five working days prior to the scheduled meeting.

AGENDA

FOR THE
DRINKING WATER BOARD
MEETING

ON
SEPTEMBER 14, 2007



State of Utah

Department of
Environmental Quality

Richard W. Sprott
Executive Director

DIVISION OF DRINKING WATER
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Executive Secretary

JON M. HUNTSMAN, JR.
Governor

GARY HERBERT
Lieutenant Governor

**DRINKING WATER BOARD
MEETING**

September 14, 2007
1:00 p.m.

Place: Jordan Valley Water Conservancy District
8215 South 1300 West
West Jordan, Utah
Ken Bousfield's Cell Phone #: (801) 674-2557

1. Call to Order – Chairman Erickson
2. Roll Call – Ken Bousfield
3. Introductions – Chairman Erickson
4. Approval of Minutes – July 13, 2007 and
– August 2, 2007
5. SRF/Conservation Committee Report – Vice Chairman Myron Bateman
 - 1) Status Report – Ken Wilde
 - 2) SRF Applications
 - a) Emergency Funding Deauthorization – Ken Wilde
 - b) Town of Paragonah – Planning Loan – Rich Peterson
 - c) Whispering Pines Water Company – Michael Grange
 - d) Snowville Water Works – Julie Cobleigh
 - e) Bear River Water Conservancy District – Rich Peterson
6. Rule R309-352 – Non Substantive Rule Reference Change – Steve Onysko
7. Rule Revisions: R309-700 and R309-705 – Ken Wilde
8. Chairman's Report – Chairman Erickson

9. Directors Report
 - a) DDW's Source Protection Grant Application
 - b) A 40 Acre Subdivision South of Mona
 - c) New Staff
10. News Articles
11. Central Iron County Water Conservancy District's
Tour Book from the July 13, 2007 Board Meeting – Copy Attached
12. Next Board Meeting:
Date: October 12, 2007
Time: 9:00 a.m.
Work Meeting: 168 North 1950 West, Room 101
Salt Lake City, Utah 84114

Break for Lunch

Time: 1:00 p.m.
Board Meeting: 168 North 1950 West, Room 101
Salt Lake City, Utah 84114
13. Other
14. Adjourn

In compliance with the American Disabilities Act, individuals with special needs (including auxiliary Communicative aids and services) should contact Jennifer Burge, Office of Human Resources at: (801) 536-4413, TDD (801) 536-4424, at least five working days prior to the scheduled meeting.

AGENDA ITEM 4
DRINKING WATER BOARD
MINUTES

JULY 13, 2007

MINUTES



State of Utah

Department of Environmental Quality

Richard W. Sprott
Executive Director

DIVISION OF DRINKING WATER
Kenneth H. Bousfield, P.E.
Director

Drinking Water Board
Anne Erickson, Ed.D., *Chair*
Myron Bateman, *Vice-Chair*
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Executive Secretary

JON M. HUNTSMAN, JR.
Governor

GARY HERBERT
Lieutenant Governor

MINUTES OF THE DRINKING WATER BOARD MEETING HELD ON JULY 13, 2007 IN CEDAR CITY, UTAH

Board Members Present

Anne Erickson, Ed.D., Chair
Myron Bateman, Vice Chair
Ken Bassett
Daniel Fleming
Paul Hansen, P.E.
Laurie McNeill, Ph.D.
Petra Rust
Richard Sprott
Ron Thompson

Board Members Excused

Jay Franson, P.E.
Helen Graber, Ph.D.

Staff

Ken Bousfield
Ken Wilde
Julie Cobleigh
Michael Grange
Karin Tatum
Steve Onysko
Linda Matulich

Guests

Dennis Stowell, Senator
Eric Franson, Greenwich Town
William Wolf, Cross Hollow WA
Clyde Newell, Cedar Highlands HOA
David Bunker, Cedar Hills City
Verl Bagley, Greenwich Town
Gary DeLeeuw, Greenwich Town
George Mason, Cross Hollow Hills WA
Marv Allen, Midvale City
Bob Havens, Cedar Highlands/High Mtn.
Keith Ludwig, Midvale City
Laurie Harvey, Midvale City
Laura Lewis, Midvale City
John Chartier, P.E., District Engineer
Randy Taylor, P.E., District Engineer
Carson Howell, Governors Office
Doug Nielsen, Sunrise Engineering
Marc Edminster, Lewis Young

ITEM NO. 1 – CALL TO ORDER

Senator Dennis Stowell welcomed the Board, staff and visitors.

The Drinking Water Board convened in Cedar City, Utah with
Chairman Erickson presiding. The meeting was called to order at 1:00 p.m.

ITEM NO. 2 – ROLL CALL

Chairman Erickson asked Ken Bousfield to call roll of the Board members. The roll call showed there were 9 members present.

ITEM NO. 3 – INTRODUCTIONS

Chairman Erickson welcomed everyone and asked the guests to introduce themselves.

Chairman Erickson introduced Richard Sprott, the new Director for the Department of Environmental Quality.

Richard Sprott gave the Board some information on his background.

ITEM NO. 4 – APPROVAL OF MINUTES – MAY 11, 2007

Chairman Erickson stated a motion was in order to approve the minutes of the May 11, 2007 Drinking Water Board meeting.

Laurie McNeill moved the Board approve the minutes of the May 11, 2007 Drinking Water Board meeting.

Ken Bassett seconded.

**CARRIED
(Unanimous)**

ITEM NO. 5 – LOAN ORIGINATION FEE

Ken Wilde reported the Drinking Water Board authorized staff to post a 30-day public comment period on a proposal for adopting a Loan Origination Fee at the May 11, 2007 Board meeting. Anne Erickson chaired the Loan Origination Fee public hearing on June 22, 2007.

Ken reviewed some comments staff received on the Loan Original Fee, and they are listed in the packet. The Drinking Water Board and the Water Quality Board are considering adopting the Loan Origination Fee.

Ken mentioned the state loan money and the repayment money from the federal loan program do not provide any funding to pay administrative costs to administer the programs.

Ken reviewed some background information on the Loan Original Fee and the recommendations made by staff.

Discussion followed.

Ron Thompson moved the Board authorize a Loan Origination Fee on all future and existing loans that have not closed as of July 13, 2007, equal to 1.0% of the Principal Amount of the Loan at the time of the loan closing. Staff will send an amended authorization letter to all applicants that have existing loans. Staff will list an estimated amount of the Fee in the letter, and notify the applicant that they will be required to pay that amount at the time of the loan closing. Staff may increase the amount of any authorized loan by the amount of the Fee without coming back to the Board for approval.

Discussion on motion.

Myron Bateman seconded.

**CARRIED
(Unanimous)**

ITEM NO. 6 – SRF/CONSERVATION COMMITTEE REPORT

1) Status Report – Ken Wilde

a) Status Report

Ken Wilde reported the Board authorized \$6,000,000 to Magna Water Company for their water treatment plant project. The water treatment plant project has grown to about \$23,000,000. Magna Water Company has received some STAG money appropriated to them by Congress and were counting on getting more STAG funds for their project. However, Magna may not receive any more STAG funds, because Congress did not fund any projects this year.

Ken updated the Board on Magna Water Company's project. Ken mentioned Magna Water Company is requesting a letter to give them permission to use funds from their Repair and Replacement Reserve Account (required by a previous loan) to fund a \$500,004 shortfall and any additional expenses that may occur. Ken stated that they have \$1,200,000 in their reserve account. Magna Water Company will have to come to staff with each pay request to justify needing the money.

Ken Wilde reported that the Board has \$3.6 million available in the State Loan Program. Staff anticipates collecting another \$7.5 million over the next 12 months. Ken went over the State Loan Fund list of authorized projects that have not been funded yet.

Ken said that Vernon, Clarkston and Glen Canyon SSD have recently closed their loans.

Ken reported that the Board has \$6.2 million available in the Federal Loan Program as of May 31, 2007. We just received the 2007 Federal Capitalization Grant Money from EPA. This will give the Board another \$8.2 million totaling over \$14 million. Staff anticipates collecting a little more than \$5 million over the next year.

Discussion followed.

2) State SRF Applications

a) Project Priority List (Karin Tatum)

Karin Tatum reported that Midvale City has a new project and has just been added to the Project Priority List. Midvale City recently completed a master plan. Their project includes a 4,000,000-gallon water storage tank, well rehabilitation and pipeline improvements for a proposed cost of \$9,852,500. The SRF Conservation Committee is recommending the Board approve the updated Project Priority List.

Ron Thompson moved the Board approve the updated Project Priority List.

Paul Hansen seconded.

**CARRIED
(Unanimous)**

b) Toquerville Planning Loan (Rich Peterson)

Rich Peterson reported Toquerville is requesting a \$16,000 planning loan for 5 years at 0% to develop a culinary water system Master Plan.

Discussion followed.

Ken Bassett moved the Board authorize a \$16,000 planning loan to Toquerville City for 5 years at 0%, and repay approximately \$3,000 annually, beginning one year from the date that the loan agreement is signed.

Danny Fleming seconded.

**CARRIED
Unanimous)**

c) Greenwich (Michael Grange)

Michael Grange reported the Town of Greenwich is requesting \$221,300 in financial assistance to construct a 200,000-gallon culinary water storage reservoir. The new reservoir will bring the town into compliance with state-mandated storage and fire flow requirements.

Michael gave some background information on Greenwich's project.

Eric Franson, Verl Bagley, Gary DeLeeuw, representing the Town of Greenwich, were available to answer any questions from the Board and address the Board.

Discussion followed.

Laurie McNeill moved the Board authorize a \$110,300 grant and a \$111,000 construction loan at 0% for 20 years, to the Town of Greenwich for construction of a 200,000 gallon culinary water storage reservoir, with the condition that Greenwich resolve the issues outlined in their compliance report. The previously approved \$20,000 planning loan will be rolled into the proposed construction loan at the interest rate and repayment schedule approved for the construction loan.

Paul Hansen seconded.

**CARRIED
(Unanimous)**

d) Cedar Hills (Julie Cobleigh)

Julie Cobleigh reported Cedar Hills is requesting \$2,090,000 to develop a new culinary well and address the system's current inadequate source capacity. No additional water rights or change applications are needed.

Julie mentioned the SRF Conservation Committee is recommending a \$2,090,000 construction loan at 2.71% for 20 years, with the condition that Cedar Hills resolves all of their issues in the compliance report.

Clyde Newell, David Bunker and Marc Edminster, representing Cedar Hills, were available for any questions from the Board.

Discussion followed.

Danny Fleming moved the Board authorize a \$2,090,000 construction loan to Cedar Hills at 2.71% for 20 years, with the condition that they resolve all the issues in their compliance report.

Anne Erickson seconded.

**CARRIED
(Unanimous)**

e) Midvale (Julie Cobleigh)

Paul Hansen mentioned he is working with Midvale City, but he does not do any water related work for them.

Julie Cobleigh reported Midvale City is requesting financial assistance to help construct a 4.0 million gallon water storage tank, rehabilitate two existing wells, and a variety of pipeline improvement projects for a cost of \$9,850,000. Midvale City recently completed a culinary water system master plan.

Julie gave some background information on Midvale City's project.

Julie mentioned staff is proposing an interest buy down of .58%, which will bring their interest rate to 2.00% for 20 years for a \$5,000,000 construction loan that will put the cost per connection equal to 1.75% of the MAGI.

Marv Allen, Keith Ludwig, Laurie Harvey, Laura Lewis, and Marc Edminster, representing Midvale City, were available to answer any questions and address the Board.

Discussion followed.

Ken Bassett moved the Board authorize a \$5,000,000 construction loan to Midvale City at 2.00% interest for 20 years, with the condition that they resolve all the issues in their compliance report.

Petra Rust seconded.

**CARRIED
(Unanimous)**

ITEM NO. 7 – CHAIRMAN’S REPORT

Chairman Erickson mentioned the Department of Environmental Quality’s Office of Policy and Planning is spearheading a: “Thinking Green” program on Saving Energy. They are giving out new energy saving light bulb through this program. Each Board member received a light bulb.

ITEM NO. 8 – DIRECTORS REPORT

Ken Bousfield introduced Steve Onysko. Steve is an engineer for the Division of Drinking Water. Steve recently accepted the position of Program Manager for the Engineering Section.

Steve gave the Board some information on his background.

a) Conflict of Interest Forms

Ken Bousfield mentioned the State Human Resource Office requires everyone to fill out and turn in a Conflict of Interest form every year. Ken asked the Board to complete the form Linda gave them, have it notarized and mail it back to Linda.

b) Body Politic Rule Status

Ken Bousfield reported that he was waiting for an Attorney General’s opinion before proceeding.

Discussion followed.

c) Erda Special Service District's Status Report

Ken Bousfield updated the Board on the status of Erda Special Service District. Erda Special Service District is working on regionalizing Erda Acres, West Erda Improvement District, unincorporated portions of Tooele County, and the Salt Lake City Auxiliary Airport in Tooele County.

Discussion followed.

ITEM NO. 9 – NEWS ARTICLES

The news articles are in the Board packet.

ITEM NO. 10 – LETTERS

The letters are in the Board packet.

ITEM NO. 11 – NEXT BOARD MEETING

The next Board meeting will be on September 14, 2007 at the Jordan Valley Water Conservancy Districts office in West Jordan, Utah. There will be a tour. The Board meeting will be at 1:00 p.m.

ITEM NO. 12 – OTHER

Chairman Erickson mentioned this would be Laurie McNeill's last Board meeting. She is going on sabbatical and will be out of the country for a year.

The Board gave Laurie McNeill a plaque in appreciation for the valuable contribution she has given to the Drinking Water Board during her tenure.

Petra Rust presented Laurie McNeill with a beautiful basket from Pepperidge Farm.

ITEM NO. 13 - ADJOURN

Chairman Erickson stated a motion would be in order to adjourn the Drinking Water Board meeting.

Petra Rust moved to adjourn the Board meeting at 2:35 p.m.

Laurie McNeill seconded.

**CARRIED
(Unanimous)**

Linda Matulich
Recording Secretary

AUGUST 2, 2007

MINUTES



State of Utah

Department of Environmental Quality

Richard W. Sprott
Executive Director

DIVISION OF DRINKING WATER
Kenneth H. Bousfield, P.E.
Director

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Governor

GARY HERBERT
Lieutenant Governor

MINUTES OF THE DRINKING WATER BOARD TELECONFERENCE ON AUGUST 2, 2007 HELD IN SALT LAKE CITY, UTAH

Board Members Present

Anne Erickson, Ed.D., *Chair*
Myron Bateman, *Vice Chair*
Jay Franson
Paul Hansen
Petra Rust
David Stevens, Ph.D.
Ron Thompson

Board Members Excused

Ken Bassett
Daniel Fleming
Helen Graber, Ph.D.
Richard Sprott

Staff

Ken Bousfield
Ken Wilde
Steve Onysko
Kim Dyches
Bob Hart
Linda Matulich

Guests

Ed Hansen, Magna Water
Leisle Lane, Magna Water
Dale Pierson, Rural Water Association
Randy Taylor, P.E., District Engineer
Marc Edminster, Lewis Young
John Futton, Various Water Companies
Shariyo Patwardhan, Various Water Co.

ITEM 1 – CALL TO ORDER

The Drinking Water Board convened via Teleconference in Salt Lake City, Utah with Chairman Erickson presiding. The meeting was called to order at 3:00 p.m.

ITEM 2 – ROLL CALL

Chairman Erickson asked Ken Bousfield to call roll of the Board members. The roll call showed there were 6 members present.

ITEM 3 – INTRODUCTIONS

Chairman Erickson welcomed everyone and asked the guests to introduce themselves.

ITEM 4 – MAGNA WATER COMPANY/DISTRICT

Ken Wilde reported the Magna Water Company District's water improvement project is scheduled to close on August 7, 2007 for \$12.1 million in loans authorized by the Water Quality Board and the Water Resource Board. The Magna Water Company District has acquired \$25,640,000 in funding which includes some of their own contributions. The Magna Water Company District is approximately \$503,771 short of having the money they need for the project.

Ken Wide reported the Magna Water Company District closed a \$1,000,000 loan in 1997 with the Drinking Water Board. The Magna Water Company District agreed to establish a Repair and Replacement Reserve Fund, and build it up to have about \$2.5 million in the fund. The Magna Water Company District has \$1.2 million in the Repair and Replacement Fund right now. The Magna Water Company District needs a letter from the Drinking Water Board stating they may use the \$504,000 from the Repair and Replacement Fund, leaving them about \$700,000 left in Fund. The Magna Water Company District also requested that the Drinking Water Board allow them to use the \$700,000 balance to cover contingencies, if needed.

Ed Hansen addressed the Board.

Ken Wilde said the proposal is for the Drinking Water Board to authorize the Magna Water Company District to use \$503,771 from the Repair and Replacement Reserve Fund to pay for the actual construction.

Ken Wilde reviewed the staff recommendations with the Drinking Water Board. Ken Wilde mentioned the second sentence in item # 1 could be deleted, reviewed the funding request in item # 2, and the last sentence in item # 3 may not be needed.

Discussion followed.

Paul Hansen moved the Drinking Water Board authorize the staff recommendation to: 1) authorize the Magna Water Company District to spend \$503,771 from their 1997 Repair and Replacement Reserve Fund for construction of the Water Treatment Plant Project, 2) the Board not set a limit on the balance of the Repair and Replacement Reserve fund, but allow the Magna Water Company District along with the review of the three funding agencies oversight to help control the project. Allow the Magna Water Company District the option to use the funds as they need. Require the Magna Water Company District to utilize item no. 3 where the Board requires the District to begin building up the Repair and Replacement Fund, and that 5% would b a reasonable contribution annually along with the members of the Magna Water Board, and 3) encourage the Magna Water Company District to make sure they utilize whatever interest comes from the Drinking Water Board funds for the project and not use the interest for other non-project related items.

Ronald Thompson seconded.

Chairman Erickson asked for a roll call vote:

**Ann Erickson – Yes
Myron Bateman – Yes
David Stevens – Yes**

**Paul Hansen – Yes
Petra Rust – Yes**

**Ron Thompson – Yes
Jay Franson – Yes**

**CARRIED
(Unanimous)**

ITEM 5 – BODY POLITIC ISSUE

Ken Bousfield introduced the Body Politic issue, by referring to an e-mail Fred Nelson sent to the Board members an attached copy of the Attorney General's opinion on proceeding with the Rule requiring a Body Politic for water systems. Ken also mentioned that the Attorney General's opinion should be held confidential since there may be some questions relative to the authority of agencies other than that held by the Board and staff.

Ron Thompson mentioned in light of some of the legal issues brought up on the proposed Body Politic Rule, the Board should hold an Executive meeting to discuss the issues and not do this in an open meeting.

Discussion followed.

Jay Franson moved the Board hold an Executive Meeting before the Board meeting at 1:00 p.m. on September 14, 2007 to discuss the legal issues on the Body Politic Rule.

Ron Thompson seconded.

Chairman Erickson asked for a roll call vote:

**Anne Erickson – Yes
Myron Bateman – Yes
David Stevens – Yes**

**Paul Hansen – Yes
Petra Rust – Yes**

**Ron Thompson – Yes
Jay Franson – Yes**

**CARRIED
(Unanimous)**

ITEM 6 – NEXT BOARD MEETING

The next Board meeting will be held on September 14, 2007 at Jordan Valley Water Conservancy District. There will be a tour of Jordan Valley's water conservation garden, an Executive Board Meeting, lunch, and the Board meeting.

ITEM 7 – OTHER

Kim Dyches updated the Board on the flooding in the Gunlock area.

ITEM 8 – ADJOURN

Chairman Erickson stated a motion to adjourn the Board meeting would be in order.

Jay Franson moved to adjourn the Drinking Water Board meeting at 3:45 p.m.

Paul Hansen seconded.

**CARRIED
(Unanimous)**

Linda Matulich
Recording Secretary

AGENDA ITEM 5

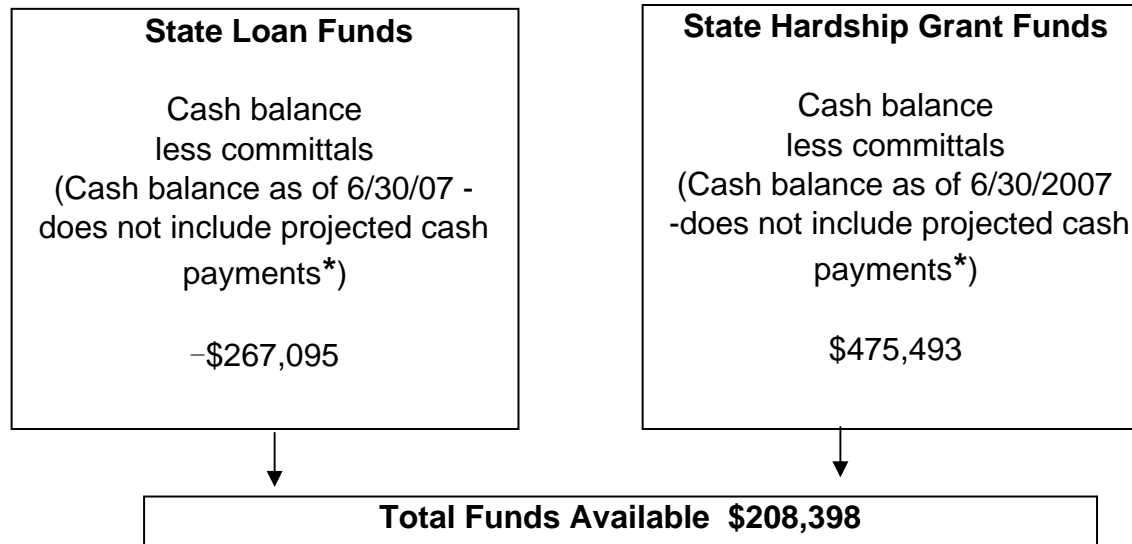
SRF/CONSERVATION COMMITTEE REPORT

5. SRF/CONSERVATION COMMITTEE

1) STATUS REPORT – Ken Wilde

DIVISION OF DRINKING WATER STATE LOAN FUNDS CASH BALANCE AS OF JUNE 30, 2007

All interest payment and investment earning are deposited to the Hardship Grant Fund



The sales tax maximum is \$3,587,500

*Projected repayments Jul 1, 2007 to Jun 30, 2008

- 1- principal payments \$2,795,761 plus interest \$656,621.
- 2- investment earnings \$600,000.
- 3- FY2007 sales tax \$3,587,500.

Total Funds Available Including Projected \$7,848,280

DIVISION OF DRINKING WATER
STATE LOAN FUNDS
PROJECTS AUTHORIZED BUT NOT YET FUNDED
AS OF JUNE 30, 2007

Community	Loan #	Cost Estimate	Date Authorized	Date Closed/Anticipated	Authorized Funding		
					Loan	Grant	Total
Garden City 2.31% 20 yr*	3S048	2,700,000	Sep-02	Oct-07	\$1,746,000		\$1,746,000
West Erda 0% 20 yr	3S074	760,000	Jun-04	?	380,000	380,000	760,000
Orderville 2.22% 30 yr	3S099	3,918,000	Nov-06	Sep-07	1,569,000	600,000	2,169,000
Escalante 2.46% 30 yr	3S104	2,160,896	Mar-07	Oct-07	1,560,000	600,896	2,160,896
Circleville 2.85 20 yr	3S105		May-07	Closed Aug 2, 2007**	222,000		222,000
Cedar Hills	3S108		Jul-07		2,090,000		2,090,000
PLANNING LOANS/GRANTS							
Enterprise (planning loan 0% 5 yr)	3S092	7,000	May-06	Aug-07	7,000		7,000
Austin (planning grant)	3S102	14,000	Jan-07	Aug-07		14,000	14,000
Wellington (pl loan 2% 5 yr)	3S104	40,000	Mar-07	Sep-07	40,000		40,000
Enoch (pl loan 0% 5 yr)	3S106	36,000	May-07	Sep-07	36,000		36,000
Toquerville (pl 0% 5 yr)	3S107	16,000	Jul-07	Sep-07	16,000		16,000
							0
Total authorized but not yet funded					\$7,666,000	\$1,594,896	\$9,260,896
FY 2007 Federal SRF 20% match***					\$1,645,880		\$1,645,880
FY 2008 Federal SRF 20% match					\$1,645,800		\$1,645,800
DDW Board Admin Fee					134,400		134,400
Grand Total					\$11,092,080	\$1,594,896	\$12,686,976
Recently Closed:							
Vernon 0% 30 yr	3S090	1,124,000	Mar-06	07-May-07	686,000	391,000	1,077,000
Clarkston 2.74% for 20 yr	3S098	785,000	Nov-06	30-May-07	705,000		705,000
Glen Canyon SSD @ 0% 20 yr	3S101	850,000	Nov-06	14-May-07	484,000	327,000	811,000
*Garden City BAN for \$254,000 was closed June 2006.							
**Circleville was closed in Aug 2007, but has not yet been deducted from DDW's reconciled balance, therefore it was left in the authorized list.							
***SRF Fed Grant has been awarded by match has not been moved yet.							

DIVISION OF DRINKING WATER
FEDERAL SRF
AS OF June 30, 2007

1997 thru 2006 SRF Grants		Principal Repayments		Earnings on Invested Cash Balance		Hardship Fund	
Net Federal SRF Grants:	\$73,905,366	Principle (P):	\$9,982,153	Total:	\$916,171	Total:	\$2,595,541
Total State Matches:	\$18,358,700	Interest (I):	\$882,985				
Closed Loans:	-\$78,598,246	Total P & I:	\$10,865,138				
Total Grant Dollars:	\$13,665,820						

SUMMARY	
Total Federal First Round Fund:	\$13,665,820
Total Federal Second Round Fund:	\$11,781,309
Total Federal Hardship Fund:	\$2,595,541
Subtotal:	\$28,042,670
Less:	
Authorized Federal 1st Round:	\$11,930,000
Authorized Federal 2nd Round:	\$6,450,000
Authorized Federal Hardship:	\$65,000
Subtotal:	\$18,445,000
Proposed Federal 1st Round Project(s):	\$0
Proposed Federal 2nd Round Project(s):	\$0
Proposed Federal Hardship Project(s):	\$0
Subtotal:	\$0
AS OF:	TOTAL REMAINING FIRST ROUND FUNDS: \$1,735,820
June 30, 2007	TOTAL REMAINING SECOND ROUND FUNDS: \$5,331,309
	TOTAL REMAINING HARDSHIP FUNDS: \$2,530,541

(see 2nd page)

Total Balance of ALL Funds: \$9,597,670

Projected Receipts Next Twelve Months:	
Payment:	
2007 Fed SRF Grant	\$6,562,696
State 20% Match for FY 2007	\$1,645,880
Interest on Investments	\$415,000
Principal payments	\$3,049,000
Interest	\$501,146
Hardship fees	\$589,188
Total:	\$12,762,910

Total Estimated Federal SRF Funds Available through 6-30-2008: \$22,360,580

**DIVISION OF DRINKING WATER
FEDERAL SRF
PROJECTS AUTHORIZED BUT NOT YET CLOSED
AS OF JUNE 30, 2007**

COMMUNITY	Project			Authorized Date	Closing Date Scheduled	Authorized From Loan Funds (1st Round)			Authorized From Loan Funds (2nd Round)	Hardship Fund
	Total	Terms	Loan #			Loan	Forgiveness	Total	Loan	
Central Iron WCD Ph II	7,870,250	2.17% int 20 yrs	3F063	Nov-06	Sep-07	3,425,000		3,425,000		
Enterprise	184,000	n/a	3F049	Mar-05	Aug-07			0		15,000
Logan #3	9,545,000	0.8% int 20 yrs	3F052	May-05	Oct-07	3,000,000		3,000,000		
St George	15,000,000	1.77% int 20 yrs	3F047	Mar-05	Jan-08			0	6,000,000	
Twin Creeks #2	1,200,000	0% int 30 yrs	3F028	Apr-03	Oct-07	360,000	90,000	450,000		
Woodland Kolob Acres	450,000	3.63% int 15 yrs	3F048	Mar-05	Oct-07			0	450,000	
Midvale	10,000,000	Construction	3F069	Jul-07	Mar-08	5,000,000		5,000,000		
			TOTAL CONSTRUCTION AUTHORIZED:			\$ 11,785,000	\$ 90,000	\$ 11,875,000	\$6,450,000	\$ 15,000
PLANNING ADVANCES AUTHORIZED:										
Beaver Dam Water	20,000	planning loan	3F062	May-06	Sep-07	20,000		20,000		
Centerfield	50,000	planning grant	3F068	Nov-06				0		50,000
Greenwich	20,000	planning loan	3F065	Sep-06	Sep-07	20,000		20,000		
Leeds Domestic WUA	15,000	planning loan	3F066	Mar-07		15,000		15,000		
			TOTAL PLANNING AUTHORIZED:			\$55,000		\$55,000	\$0	\$50,000
				TOTAL AUTHORIZED CONSTRUCTION & PLANNING:			\$11,930,000		\$6,450,000	\$65,000
PROPOSED PROJECTS FOR SEPTEMBER 2007:										
Whispering Pines	220,000	Construction		Oct-07		0		0		
Erda Acres	2,600,000	Construction		Oct-07						
		TOTAL PROPOSED PROJECTS FOR THIS MEETING:				\$0		\$0	\$0	\$0
				TOTAL PROPOSED PROJECTS:			\$0		\$0	\$0

5. SRF/CONSERVATION COMMITTEE

2) SRF APPLICATIONS

a) EMERGENCY FUNDING DEAUTHORIZATION

**DRINKING WATER BOARD
BOARD PACKET FOR DEAUTHORIZATION**

STAFF COMMENTS AND RECOMMENDATIONS:

On January 18, 2005 the Drinking Water Board authorized adding the Washington County emergency flood assistance to the Project Priority List. Several systems have requested a portion of those funds including Orderville City, Gunlock Special Service District, St. George City and Enterprise. The total amount requested and authorized is \$559,936.00.

Although the remaining funds are not specifically set aside for the emergency flooding, staff recommends the de-authorization of the remaining balance so it may be used to finance projects that are prepared to move forward.

SRF/CONSERVATION COMMITTEE RECOMMENDATION:

The Board de-authorize any remaining funds of the \$1,300,000 earmarked for the emergency flooding in Washington County.

5. SRF/CONSERVATION COMMITTEE

2) SRF APPLICATIONS

b) TOWN OF PARAGONAH
PLANNING LOAN

**DRINKING WATER BOARD
BOARD PACKET FOR PLANNING GRANT
AUTHORIZATION**

APPLICANT'S REQUEST:

The Town of Paragonah is requesting a Planning Advance for the amount of \$16,250 to update their Culinary Water System Master Plan. The total cost of the study is \$32,500. The Town is anticipating receiving a planning grant from CIB for the remaining \$16,250.

STAFF COMMENTS:

Based on their O&M, current debt and expenses, the Town's current water bill is approximately 1.57% of local MAGI. However, because the Town's local MAGI is 72% of the State's MAGI, staff recommends authorizing the \$16,250 as a planning grant. This planning grant would allow the Town to develop a Culinary Water System Master Plan to identify and properly address current and future needs of the area and their system, and to determine what facilities will allow the Town to meet the needs of the community.

SRF/CONSERVATION COMMITTEE RECOMMENDATION:

The Drinking Water Board authorizes a \$16,250 planning grant to the Town of Paragonah to partially fund their master plan on the condition that the Town either provide or otherwise secure the other \$16,250 and prepare a bacteriological sample site plan while working on planning study.

APPLICANT'S LOCATION:

The Town of Paragonah is located in Iron County, approximately 26 miles north of Cedar City, Utah.

MAP OF APPLICANT'S LOCATION:



PLANNING DESCRIPTION/SCOPE OF WORK:

Analysis would include water rights, source requirement, storage requirements, treatment requirements and distribution system. The analysis of the Town's water system will cover both current and projected needs based on the current usage within the Town. It will consider the current zoning of the Town, planned annexations and historic population growth to project future demands and growth patterns. As a result of the study, any system improvements needed to allow the Town to meet the State requirements would be recommended. Cost estimates for any recommended projects would also be included in the analysis. Page 2 of 6

The cost for this master plan would include a summary of the water rights owned by the Town. From a preliminary assessment of Paragonah Town's water rights it appears that additional attention may be needed to sort out transfers, segregations and other changes that have taken place with the Town's water rights. The additional water rights summary would include a detailed search of over 400 available scanned documents from the Division of Water Resources website which is required to verify the quantities listed, and to sort through the transfers and changes for each water right owned by the Town. The Consultant's water rights specialists would then provide a list of any problems and potential solutions that they can identify with the Town's water rights.

The study would include an analysis of the distribution system. A computer model would be built to help identify any problems that the distribution system has in providing enough water during times of peak use (including a fire flow analysis). Also included in the study would be an analysis of the Town's water rates and impact fees. Based on the recommended projects, new rates and impact fees would be suggested. A 20 year cashflow spreadsheet would also be provided. These tools would help ensure that the water system remains financially viable.

It is expected that the study will show the need for an additional source for Paragonah Town to meet State Source Requirements. Therefore it is recommended that the Town complete a Well Siting Study and Preliminary Engineer's Report as part of the Water Master Plan.

POPULATION GROWTH:

According to the Governor's Office of Planning and Budget, the Town is estimated to grow at an annual average rate of change of approximately 4.06% through the year 2030.

	<u>Year</u>	<u>Population</u>	<u>ERC's</u>
Current:	2005	515	259
Projected:	2030	992	499

IMPLEMENTATION SCHEDULE:

Apply to DWB for Planning Funds:	Jul 2007
SRF Committee Conference Call:	Aug 2007
DWB Funding Authorization:	Sep 2007
CIB Authorization:(unless suspend and fund)	Dec 2007
Completion of Master Plan:	Jan 2008

COST ESTIMATE:

Master Plan:	<u>\$32,500.00</u>
Total Planning Cost:	\$32,500.00

COST ALLOCATION:

The cost allocation proposed for the project is shown below.

<u>Funding Source</u>	<u>Cost Sharing</u>	<u>Percent of Project</u>
DWB Grant	\$16,250	50%
CIB Grant	\$16,250	50%
Total Amount:	\$32,500.00	100%

SPECIAL CONDITIONS:

1. Resolve the appropriate issues on their compliance report.

APPLICANT:	Town of Paragonah 44 North 100 West Paragonah, Utah 84760 Telephone: 435-477-8979
PRESIDING OFFICIAL & CONTACT PERSON:	Constance Robinson, Mayor 44 North 100 West Paragonah, Utah 84760 Telephone: 435-477-8979 Email: paragonahtown@netutah.com
CONSULTING ENGINEER:	Marv Wilson, P.E. Sunrise Engineering, Inc. 11 North 300 West Washington, Utah 84780 Telephone: (435) 652-8450 Email: mwilson @sunrise-eng.com
FINANCIAL CONSULTANT:	None Appointed
ATTORNEY:	None Appointed

11014 Paragonah Town Water System Compliance Report

August 7, 2007

Administration:

Inadequate bacteriological sample site plan
No copy of Drinking Water Source Protection plan on site

Operator Certification:

System exceeds requirements – Small System required, both operators are
Distribution system level 2 certified

Bacteriological Information:

No issues

Chemical Monitoring:

The system needs to collect a Nitrate sample from their spring source during
calendar year 2007.

Lead/Copper:

No issues

Consumer Confidence Report

No Issues

Physical Facilities:

Tank #1 air vent not 24-36 inches above surface

Drinking Water Source Protection:

They are in compliance with all source protection requirements. Kej July 31 2007

Plan Review:

Last plan review was received on 11/01/99 for a 0.2 MG Drinking Water Storage
Tank for which plan approval was given in our letter dated 11/23/99. There has not been
any submittal of plans and specifications for any drinking water facilities since then.

5. SRF/CONSERVATION COMMITTEE

2) SRF APPLICATIONS

c) WHISPERING PINES
WATER COMPANY

**DRINKING WATER BOARD
BOARD PACKET FOR CONSTRUCTION LOAN
INTRODUCTION TO DWB**

APPLICANT'S REQUEST

The Whispering Pines Water Company is requesting \$222,000 in financial assistance to perform well step drawdown and constant rate tests, install two new well pumps, a telemetry system, and the required meters, valves, pressure gages and sample taps at each well. The Company is a privately owned water system.

STAFF COMMENTS:

The local MAGI is \$27,383, which is 79% of the State MAGI of \$34,801. Therefore, they qualify for Principal Forgiveness. Based on information supplied by Whispering Pines, their average water bill is currently \$29.98 per month. Under the proposed financing package, the estimated average water bill after project completion would be \$36.23 per month, equal to 1.59% of their local MAGI.

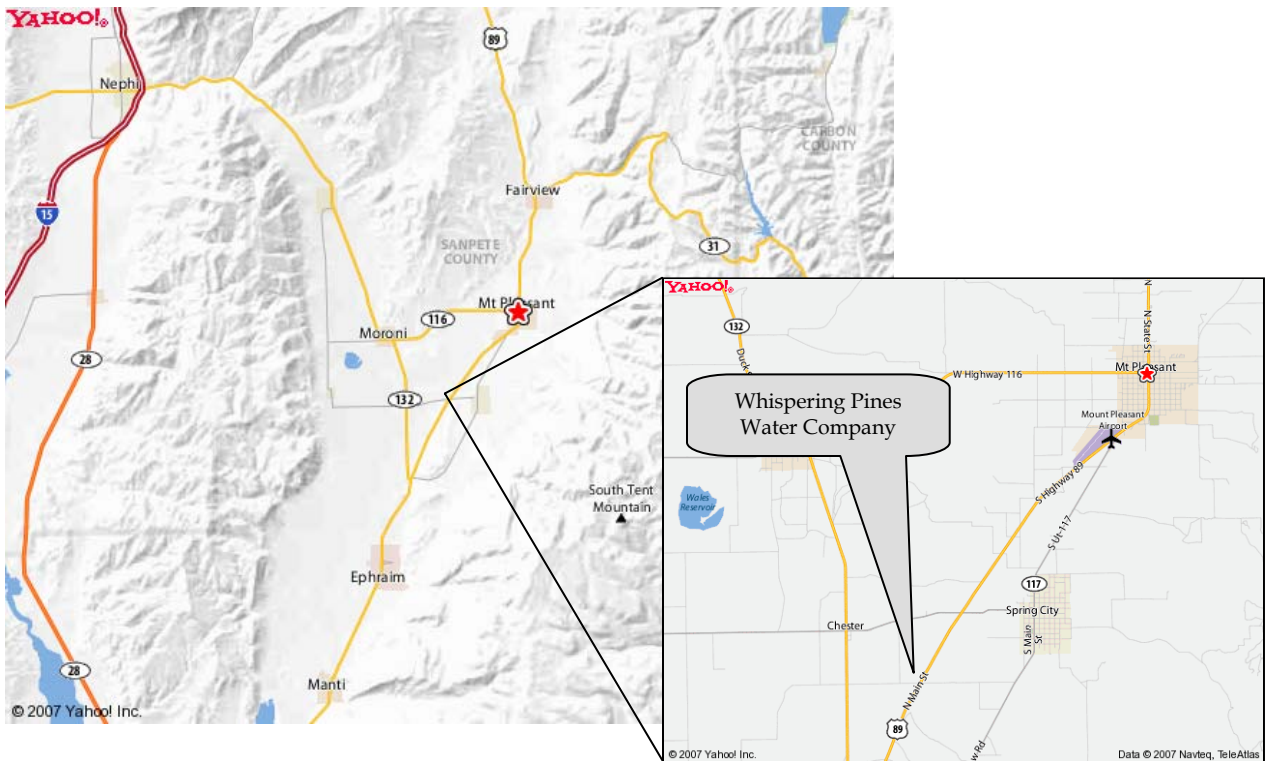
SRF/CONSERVATION COMMITTEE RECOMMENDATION:

The Drinking Water Board authorizes a \$222,000 construction loan at 3.19% for 20 years, to the Whispering Pines Water Company for their proposed project on the condition that the company can demonstrate that they have the technical, managerial and financial capabilities required by the Capacity Development program.

APPLICANT'S LOCATION:

The Whispering Pines Water Company is located in Sanpete County, approximately 7 miles southeast of the town of Mt. Pleasant.

MAP OF APPLICANT'S LOCATION:



PROJECT DESCRIPTION:

Perform well step drawdown and constant rate tests; install two new well pumps, a telemetry system, and the required meters, valves, pressure gages and sample taps at each well.

POPULATION GROWTH:

According to the Governor's Office of Planning and Budget, the greater Sanpete County area, including the Whispering Pines Water Company service area, is expected to grow at an average annual rate of change of 0.85% through 2030.

	Year	Population	ERC's
Current	2005	233	66
Projected	2030	322	91

IMPLEMENTATION SCHEDULE:

Apply to DWB for Funding:	July 2007
DWB Funding Authorization:	September 2007
Plans Submitted:	October 2007
Plan Approval:	November 2007
Advertise for Bids:	February 2008
Bid Opening:	February 2008
Loan Closing:	March 2008
Begin Construction:	April 2008
Complete Construction:	May 2008

COST ESTIMATE:

Construction:	\$178,520
Engineering:	\$14,800
Contingency:	\$18,180
Admin/Legal/Bonding:	\$8,500
DDW Loan Origination Fee:	\$2,000
Total Capital Cost:	\$222,000

COST ALLOCATION:

The cost allocation proposed for the project is shown below.

<u>Funding Source</u>	<u>Cost Sharing</u>	<u>Percent of Project</u>
DWB Loan (3.19%, 20 yrs)	\$222,000	100.00%
Total Amount:	\$222,000	100.00%

ESTIMATED ANNUAL COST OF WATER SERVICE:

Operation & Maintenance:	\$9,711
DDW Debt Service (3.0%, 20 yrs):	\$15,185
DDW 10% Coverage:	\$1,519
DDW 15% Partial Coverage:	\$2,278
Total Annual Cost / ERU:	\$434.74
Monthly Cost / ERU:	\$36.23
Cost as % of MAGI:	1.59%

CONTACT INFORMATION:

APPLICANT: Whispering Pines Water Company
PO Box 85
Mt. Pleasant, UT 84647
435-462-2394

PRESIDING OFFICIAL &
CONTACT PERSON: Gene Rino
PO Box 284
Mt. Pleasant, UT 84647
435-462-2394

CONSULTING ENGINEER: Lynn Wall
Wall Engineering
PO Box 39
Fillmore, UT 84631
435-864-7503

ATTORNEY: Richard Chamberlain
Chamberlain Associates
225 N 100 E, PO Box 100
Richfield, UT 84701
435-896-4461

20048 Whispering Pines Water Company
Compliance Report
August 7, 2007

Administration:

No Issues

Operator Certification:

No Issues

Bacteriological Information:

Total Coliform routine monitoring violation for December 2006.

Chemical Monitoring:

No Issues

Lead/Copper:

No Issues

Consumer Confidence Report:

No Issues

Physical Facilities:

The Lower Well does not have floor drain to day light.

The Upper Well WS002 and the Lower Well WS001 are both missing smooth nosed sample taps.

The Upper Well WS002 and the Lower Well WS001 are both missing pressure gauges.

The Upper Well WS002 and the Lower Well WS001 are both missing flow measuring devices.

The Upper Well WS002 and the Lower Well WS001 are both missing air relief valves.

Drinking Water Source Protection:

No Issues

Plan Review:

Plans were submitted on 9/23/2004 for 80,000 Gallon Storage, New Pump in existing well, transmission lines between them and distribution lines to added Boys School (Spring Mountain Academy) and unconditional approval given in a letter dated 1/5/2005. This is the only file listed for plan review from this system in our database. Roger Foisy indicated in a note that: This project was designed to accommodate Spring Mountain Academy and was approved for construction. However, as of this date, the project funding has not been secured so construction is not certain. Roger Foisy 8-3-2005. No request for nor issue of an operating permit for these facilities has been forthcoming.

DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: Whispering Pines Water Company

FUNDING SOURCE: Federal SRF

(2nd round)

COUNTY: Sanpete

PROJECT DESCRIPTION: pump test on wells, install new pumps, install additional meters

100% Loan

ESTIMATED POPULATION:	233	NO. OF CONNECTIONS:	66	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$29.98 *			PROJECT TOTAL:	\$222,000
CURRENT % OF AGI:	1.31%	FINANCIAL PTS:	39	LOAN AMOUNT:	\$222,000
ESTIMATED MEDIAN AGI:	\$27,383			PRINC. FORGIVENESS:	\$0
STATE AGI:	\$34,801			TOTAL REQUEST:	\$222,000
SYSTEM % OF STATE AGI:	79%				

	@ ZERO % MKT RATE 0%	@ RBBI RATE 4.74%	EQUIVALENT ANNUAL PAYMENT #REF! **	AFTER REPAYMENT PENALTY & POINTS 3.19%
ASSUMED LENGTH OF DEBT, YRS:	20	20	20	20
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	4.74%	#REF!	3.19%
REQUIRED DEBT SERVICE:	\$11,100.00	\$17,423.26	#REF!	\$15,185.24
*PARTIAL COVERAGE (15%):	\$1,665.00	\$2,613.49	#REF!	\$2,277.79
*ADD. COVERAGE AND RESERVE (10%):	\$1,110.00	\$1,742.33	#REF!	\$1,518.52
ANNUAL DEBT PER CONNECTION:	\$210.23	\$329.99	#REF!	\$287.60
O & M + FUNDED DEPRECIATION:	\$9,711.00	\$9,711.00	\$9,711.00	\$9,711.00
OTHER DEBT + COVERAGE:	\$0.00	\$0.00	\$0.00	\$0.00
REPLACEMENT RESERVE ACCOUNT:	\$0.00	\$0.00	#REF!	\$0.00
NEEDED SYSTEM INCOME:	\$9,711.00	\$9,711.00	#REF!	\$9,711.00
ANNUAL O&M PER CONNECTION:	\$147.14	\$147.14	#REF!	\$147.14
AVG MONTHLY WATER BILL:	\$29.78	\$39.76	#REF!	\$36.23
% OF ADJUSTED GROSS INCOME:	1.31%	1.74%	#REF!	1.59%

* Current water bill is based on available revenue & number of connections, data provided in application

Whispering Pines Water Company

PROPOSED BOND REPAYMENT SCHEDULE

100% Loan

PRINCIPAL	\$222,000.00	ANTICIPATED CLOSING DATE	15-Oct-07
INTEREST	3.19%	P&I PAYMT DUE	01-Apr-09
TERM	20	REVENUE BOND	
NOMIN. PAYMENT	\$15,185.24	PRINC PREPAID:	\$0.00

YEAR	BEGINNING BALANCE	DATE OF PAYMENT	PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	PAYM NO.
2008	\$222,000.00		\$1,495.05 *	\$0.00	\$1,495.05	\$222,000.00	0
2009	\$222,000.00		\$15,081.80	\$8,000.00	\$7,081.80	\$214,000.00	1
2010	\$214,000.00		\$14,826.60	\$8,000.00	\$6,826.60	\$206,000.00	2
2011	\$206,000.00		\$14,571.40	\$8,000.00	\$6,571.40	\$198,000.00	3
2012	\$198,000.00		\$15,316.20	\$9,000.00	\$6,316.20	\$189,000.00	4
2013	\$189,000.00		\$15,029.10	\$9,000.00	\$6,029.10	\$180,000.00	5
2014	\$180,000.00		\$15,742.00	\$10,000.00	\$5,742.00	\$170,000.00	6
2015	\$170,000.00		\$15,423.00	\$10,000.00	\$5,423.00	\$160,000.00	7
2016	\$160,000.00		\$15,104.00	\$10,000.00	\$5,104.00	\$150,000.00	8
2017	\$150,000.00		\$14,785.00	\$10,000.00	\$4,785.00	\$140,000.00	9
2018	\$140,000.00		\$15,466.00	\$11,000.00	\$4,466.00	\$129,000.00	10
2019	\$129,000.00		\$15,115.10	\$11,000.00	\$4,115.10	\$118,000.00	11
2020	\$118,000.00		\$15,764.20	\$12,000.00	\$3,764.20	\$106,000.00	12
2021	\$106,000.00		\$15,381.40	\$12,000.00	\$3,381.40	\$94,000.00	13
2022	\$94,000.00		\$14,998.60	\$12,000.00	\$2,998.60	\$82,000.00	14
2023	\$82,000.00		\$15,615.80	\$13,000.00	\$2,615.80	\$69,000.00	15
2024	\$69,000.00		\$15,201.10	\$13,000.00	\$2,201.10	\$56,000.00	16
2025	\$56,000.00		\$14,786.40	\$13,000.00	\$1,786.40	\$43,000.00	17
2026	\$43,000.00		\$15,371.70	\$14,000.00	\$1,371.70	\$29,000.00	18
2027	\$29,000.00		\$14,925.10	\$14,000.00	\$925.10	\$15,000.00	19
2028	\$15,000.00		\$15,478.50	\$15,000.00	\$478.50	\$0.00	20
			\$305,478.05	\$222,000.00	\$83,478.05		

*Interest Only Payment

20048 Whispering Pines Water Company
Compliance Report
August 7, 2007

Administration:

No Issues

Operator Certification:

No Issues

Bacteriological Information:

Total Coliform routine monitoring violation for December 2006.

Chemical Monitoring:

No Issues

Lead/Copper:

No Issues

Consumer Confidence Report:

No Issues

Physical Facilities:

The Lower Well does not have floor drain to day light.

The Upper Well WS002 and the Lower Well WS001 are both missing smooth nosed sample taps.

The Upper Well WS002 and the Lower Well WS001 are both missing pressure gauges.

The Upper Well WS002 and the Lower Well WS001 are both missing flow measuring devices.

The Upper Well WS002 and the Lower Well WS001 are both missing air relief valves.

Drinking Water Source Protection:

No Issues

Plan Review:

Plans were submitted on 9/23/2004 for 80,000 Gallon Storage, New Pump in existing well, transmission lines between them and distribution lines to added Boys School (Spring Mountain Academy) and unconditional approval given in a letter dated 1/5/2005. This is the only file listed for plan review from this system in our database. Roger Foisy indicated in a note that: This project was designed to accommodate Spring Mountain Academy and was approved for construction. However, as of this date, the project funding has not been secured so construction is not certain. Roger Foisy 8-3-2005. No request for nor issue of an operating permit for these facilities has been forthcoming.

5. SRF/CONSERVATION COMMITTEE

2) SRF APPLICATIONS

d) SNOWVILLE WATER WORKS

**DRINKING WATER BOARD
BOARD PACKET FOR CONSTRUCTION LOAN
AUTHORIZATION**

APPLICANT'S REQUEST:

Snowville Water Works is requesting principle forgiveness of \$40,000 to cover increased costs of construction.

STAFF COMMENTS:

On March 4, 2005 the Board authorized Snowville Water Works funding of \$500,000 to construct a new storage tank and a new well, install a new transmission line, replace existing water lines, and install water meters. The terms of the loan included an interest rate of zero percent (0%) over 30 years, in lieu of 20% Principal Forgiveness.

In a letter dated October 19, 2005, Snowville Water Works requested an additional \$150,000 to cover additional project costs, which was authorized by the Board on November 18, 2005.

A 20-year loan of \$500,000 at 0.0% interest (or \$400,000 loan at 2.11% interest) resulted in an average monthly water bill of \$65.26 = 3.17% of local MAGI. A 30-year loan of \$650,000 at 0.0% interest resulted in an average monthly water bill of \$58.19 = 2.83% of local MAGI.

The project is near completion with only the well house and a portion of the waterline project to complete. The bids for the well house project exceeded the original budget. The estimated cost for the well house, waterline and engineering contracts, including contingencies exceeds the current budget by \$110,000. Therefore, Snowville Water Works has requested \$110,000 in grants from the Drinking Water Board and Rural Development / USDA.

Rural Development has secured \$70,000 in grant money; therefore, staff recommends the Board authorize \$40,000 in principle forgiveness to Snowville Water Works.

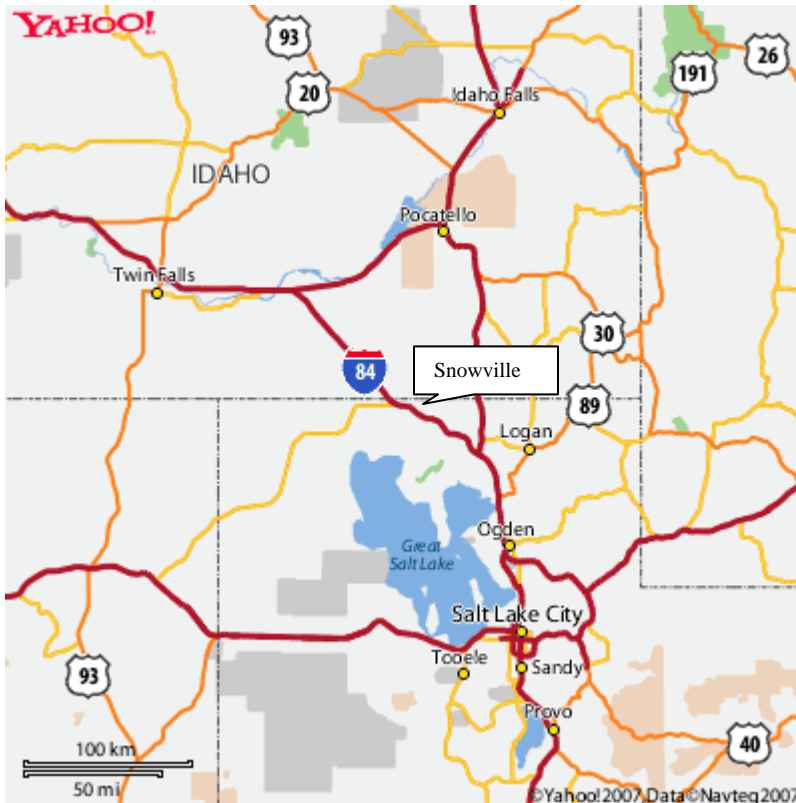
SRF/CONSERVATION COMMITTEE RECOMMENDATION:

The Drinking Water Board authorizes a \$40,000 loan at 0.00% interest with 100% principle forgiveness to Snowville Water Works.

APPLICANT'S LOCATION:

Snowville Water Works is located in Box Elder County.

MAP OF APPLICANT'S LOCATION:



POSITION ON PROJECT PRIORITY LIST:

Snowville Water Works has 25.7 points on the project priority list.

PROJECT DESCRIPTION:

The project includes a new storage tank and well, installation of transmission line, and replacement of water lines.

POPULATION GROWTH:

The Governor's Office of Planning and Budget estimates a growth rate of 1.49% over the next 45 years for Snowville Water Works.

	<u>Year</u>	<u>Population</u>	<u>ERC's</u>
Current:	2007	293	91
Projected:	2050	387	129

IMPLEMENTATION SCHEDULE:

Apply to DWB for Additional Construction Funds:	August 2007
SRF Committee Conference Call:	August 2007
DWB Funding Authorization:	September 2007
Begin Construction of Well House:	September 2007
Complete Construction:	November 2007

COST ESTIMATE:Original (July 2006)Modified (August 2007)

Legal	\$12,244	Legal	\$12,244
Land	\$5,000	Land	\$5,000
Engineering- Design	\$41,000	Engineering- Design	\$41,000
Engineering- CMS	\$30,000	Engineering- CMS	\$40,000
CDBG- Design	\$75,000	CDBG- Design	\$75,000
Construction- Waterline	\$938,961	Construction- Waterline	\$963,216
Construction- Tank	\$219,406	Construction- Tank	\$219,406
Construction- Well Drilling	\$92,079	Construction- Well Drilling	\$92,079
Construction- Well House	\$125,000	Construction- Well House	228,380
Contingency	<u>\$49,210</u>	Contingency	<u>\$20,000</u>
Total Project Cost	\$1,587,900	Total Project Cost:	\$1,696,325

COST ALLOCATION:

The cost allocation proposed for the project is shown below.

<u>Funding Source</u>	<u>Cost Sharing</u>	<u>Percent of Project</u>
DWB Loan (0%, 30-yr)	\$650,000	38%
DWB Principle Forgiveness	\$40,000	2%
RD loan	\$367,000	22%
RD grant	\$565,000	33%
CDBG	<u>\$75,000</u>	<u>5%</u>
Total Amount	\$1,697,000	100%

ESTIMATED ANNUAL COST OF WATER SERVICE:

Operation and Maintenance: \$23,908

Existing Debt Service (RD loan): \$10,046

DDW Debt Service (0%, 30-yrs): \$21,667

DDW Debt Reserve: \$2,167

Total Annual Cost: \$63,549

Annual Cost/ERC: \$698.34

Monthly Cost/ERC: \$58.19

Cost as % MAGI: 2.83%

APPLICANT:

Snowville Water Works
P.O. Box 623
Snowville, Utah 84336
Telephone: (435) 872-8274

PRESIDING OFFICIAL &
CONTACT PERSON:

Gary Frandsen, President
P.O. Box 623
Snowville, Utah 84336
Telephone: (435) 872-8274

CONSULTING ENGINEER:

Brian Deeter, P.E.
J-U-B Engineers, Inc.
466 North 900 West
Kaysville, UT 84037
Telephone: (801) 547-0393
Email: brd@JUB.com

FINANCIAL CONSULTANT:

Brian Cannel
Hillyard, Anderson and Olsen
175 East 100 North
Logan, UT 84321
Telephone: (801) 752-2610

ATTORNEY:

None appointed

**02020 Snowville Waterworks
Compliance Report
August 15, 2007**

Administration:

System needs to develop a Cross Connection Control Program

Operator Certification:

No issues

Bacteriological Information:

No issues

Chemical Monitoring:

No issues

Lead/Copper:

No issues

Consumer Confidence Report

The reports covering calendar year 2001 and 2005 are past due.

Physical Facilities:

8/15/07 IPS report does not indicate any outstanding point related issues
There is a comment on the IPS report relating to the system being served by a single well with two pumps. Demand can't be met by the remaining pump when the larger pump is out of service. A second source is needed. (no points assessed)

Drinking Water Source Protection:

The Preliminary Evaluation Report (PER) for Well # 2 was approved June 5, 2006. A Drinking Water Source Protection (DWSP) plan for Well # 2 should have been submitted to DDW within a year of the approval of the PER (by June 5, 2007), and is now considered late.

Well # 1 is in compliance with DWSP requirements.

Approved 3/4/2005

Snowville Water Works

Snowville Water Works (Snowville) serves 93 connections and a population of 293 in Snowville Town in Box Elder County. Snowville proposes to construct a new storage tank and a new well, install a new transmission line, replace existing water lines, and install water meters.

The total cost of this project is estimated to be \$1,173,000. Snowville will contribute \$27,000 toward this project. Snowville has secured funding from the following sources: a grant of \$417,000 and a loan of \$154,000 from USDA Rural Development, and a grant of \$75,000 from CDBG. Snowville is requesting funding of \$500,000 from the Drinking Water Board.

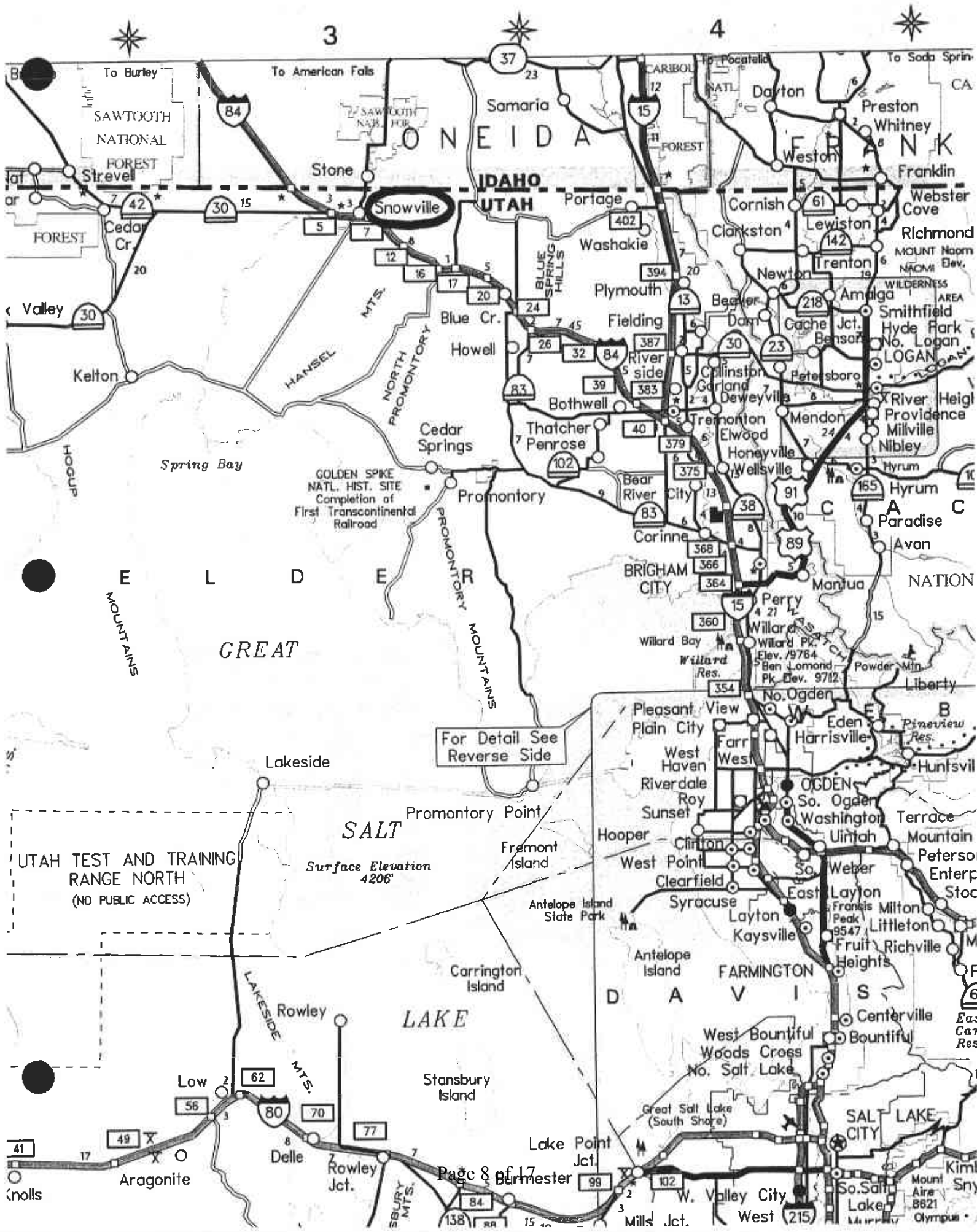
Snowville's MAGI (\$24,715) is 76% of State MAGI (\$32,388). They qualify as a disadvantaged community. The current average monthly water bill is \$24.14 (1.17% of MAGI). The calculated interest rate for a 20-year loan is 2.11%. The after project water bill is \$65.26 (3.17% of MAGI).

A financial analysis, repayment schedules, and compliance report are included in the packet.

System Rating is "APPROVED"

SRF/Conservation Committee Recommendation:

Board authorize a loan of \$500,000 at 2.11% interest (with \$100,000 or 20% principal forgiveness) to be repaid over a twenty (20) year term on the condition that Snowville resolve the appropriate issues on its compliance report and receive positive review on its capacity assessment.



DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: Snowville

FUNDING SOURCE: Federal SRF

COUNTY: Box Elder

PROJECT DESCRIPTION: New tank, new well, waterlines, and water meters

80% Loan and 20% Principal Forgiveness

ESTIMATED POPULATION:	293	NO. OF CONNECTIONS:	91	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$24.14 *			PROJECT TOTAL:	\$1,173,000
CURRENT % OF AGI:	1.17%	FINANCIAL PTS:	63	LOAN AMOUNT:	\$400,000
ESTIMATED MEDIAN AGI:	\$24,715			GRANT AMOUNT:	\$100,000
STATE AGI:	\$32,388			TOTAL REQUEST:	\$500,000
SYSTEM % OF STATE AGI:	76%				

	@ ZERO % MKT RATE	@ RBBI RATE	AFTER POINT REDUCTION	AFTER REPAYMENT PENALTY
ASSUMED LENGTH OF DEBT, YRS:	20	20	20	20
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	4.90%	1.81%	2.11%
REQUIRED DEBT SERVICE:	\$20,000.00	\$31,825.45	\$24,023.46	\$33,697.97
*PARTIAL COVERAGE (15%):	\$3,000.00	\$4,773.82	\$3,603.52	\$5,054.70
*ADD. COVERAGE AND RESERVE (10%):	\$2,000.00	\$3,182.54	\$2,402.35	\$3,369.80
ANNUAL DEBT PER CONNECTION:	\$274.73	\$437.16	\$329.99	\$462.88
O & M + Depreciation:	\$29,139.26	\$29,139.26	\$29,139.26	\$29,139.26
OTHER DEBT + COVERAGE:	\$0.00	\$0.00	\$0.00	\$0.00
REPLACEMENT RESERVE ACCOUNT:	\$0.00	\$0.00	\$0.00	\$0.00
NEEDED SYSTEM INCOME:	\$29,139.26	\$29,139.26	\$29,139.26	\$29,139.26
ANNUAL O&M PER CONNECTION:	\$320.21	\$320.21	\$320.21	\$320.21
AVG MONTHLY WATER BILL:	\$49.58	\$63.11	\$54.18	\$65.26
% OF ADJUSTED GROSS INCOME:	2.41%	3.06%	2.63%	3.17%

* Current water bill is 2003 Revenue & number of connections

Snowville

PROPOSED REPAYMENT SCHEDULE

PRINCIPAL \$400,000.00
 INTEREST 2.11%
 TERM 20
 NOMIN. PAYMENT \$24,723.13

ANTICIPATED CLOSING DATE
 P&I PAYMT DUE
 REVENUE BOND
 PRINC PREPAID:

01-Nov-05
 \$0.00

YEAR	BEGINNING BALANCE	DATE OF PAYMENT	PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	PMT NO.
2006	\$400,000.00		\$1,406.67 *	\$0.00	\$1,406.67	\$400,000.00	0
2007	\$400,000.00		\$24,440.00	\$16,000.00	\$8,440.00	\$384,000.00	1
2008	\$384,000.00		\$25,102.40	\$17,000.00	\$8,102.40	\$367,000.00	2
2009	\$367,000.00		\$24,743.70	\$17,000.00	\$7,743.70	\$350,000.00	3
2010	\$350,000.00		\$24,385.00	\$17,000.00	\$7,385.00	\$333,000.00	4
2011	\$333,000.00		\$25,026.30	\$18,000.00	\$7,026.30	\$315,000.00	5
2012	\$315,000.00		\$24,646.50	\$18,000.00	\$6,646.50	\$297,000.00	6
2013	\$297,000.00		\$24,266.70	\$18,000.00	\$6,266.70	\$279,000.00	7
2014	\$279,000.00		\$24,886.90	\$19,000.00	\$5,886.90	\$260,000.00	8
2015	\$260,000.00		\$24,486.00	\$19,000.00	\$5,486.00	\$241,000.00	9
2016	\$241,000.00		\$25,085.10	\$20,000.00	\$5,085.10	\$221,000.00	10
2017	\$221,000.00		\$24,663.10	\$20,000.00	\$4,663.10	\$201,000.00	11
2018	\$201,000.00		\$25,241.10	\$21,000.00	\$4,241.10	\$180,000.00	12
2019	\$180,000.00		\$24,798.00	\$21,000.00	\$3,798.00	\$159,000.00	13
2020	\$159,000.00		\$24,354.90	\$21,000.00	\$3,354.90	\$138,000.00	14
2021	\$138,000.00		\$24,911.80	\$22,000.00	\$2,911.80	\$116,000.00	15
2022	\$116,000.00		\$24,447.60	\$22,000.00	\$2,447.60	\$94,000.00	16
2023	\$94,000.00		\$24,983.40	\$23,000.00	\$1,983.40	\$71,000.00	17
2024	\$71,000.00		\$24,498.10	\$23,000.00	\$1,498.10	\$48,000.00	18
2025	\$48,000.00		\$25,012.80	\$24,000.00	\$1,012.80	\$24,000.00	19
2026	\$24,000.00		\$24,506.40	\$24,000.00	\$506.40	\$0.00	20
			\$495,892.47	\$400,000.00	\$95,892.47		

*Interest Only Payment

R309-705-5

Snowville

Box Elder

December 20, 2004

TABLE 2

FINANCIAL CONSIDERATIONS

POINTS

1. COST EFFECTIVENESS RATIO (SELECT ONE)

- A. Project cost \$0 to \$500 per benefitting connection
- B. \$501 to \$1,500
- C. \$1,501 to \$2,000
- D. \$2,001 to \$3,000
- E. \$3,001 to \$5,000
- F. \$5,001 to \$10,000
- G. Over \$10,000

13

11

9

6

3

1

0

X

\$12,890.11

2. PRIVATE SECTOR OR OTHER FUNDING, BUT NOT OWN CONTRIBUTION (SELECT ONE)

- A. A reasonable search for it has been made without success
- B. will provide greater than 50% of project cost
- C. will provide 25 to 49% of project cost
- D. will provide 10 to 24% of project cost
- E. Will provide 1 to 9% of project cost
- F. Has not been investigated

10

10

X

8

5

3

0

55%

3. CURRENT LOCAL MEDIAN ADJUSTED GROSS INCOME (AGI) (SELECT ONE)

- A. Less than 70% of State Median AGI
- B. 71 to 90% of State Median AGI
- C. 91 to 115% of State Median AGI
- D. 116 to 135% of State Median AGI
- E. 136 to 160% of State Median AGI
- F. Greater than 161% of State Median AGI

15

12

X

9

6

3

0

76.3%

4. PROJECT FUNDING CONTRIBUTED BY APPLICANT (SELECT ONE)

- a. Greater than 25% of project funds
- b. 10 to 25% of project funds
- c. 5 to 9% of project funds
- d. 2 to 4% of project funds
- e. Less than 2% of project funds

12

9

6

3

X

0

2.3%

5. ABILITY TO REPAY LOAN

5A. WATER BILL (INCLUDING TAXES) AFTER PROJECT IS BUILT RELATIVE TO LOCAL MEDIAN ADJUSTED GROSS INCOME (SELECT ONE)

a. Greater than 2.50% of local median AGI	15	X
b. 2.01 to 2.50% of local median AGI	11	
c. 1.51 to 2.00% of local median AGI	7	
d. 1.01 to 1.50% of local median AGI	3	
e. 0 to 1.00% of local median AGI	0	
	3.17%	

5B. TOTAL DEBT LOAD (PRINCIPAL ONLY) OF APPLICANT AFTER PROJECT IS CONSTRUCTED (INCLUDING WATER AND SEWER DEBT, LIGHTING DEBT, SCHOOL DEBT, ETC.) (SELECT ONE)

a. Greater than 12% of fair market value	15	X
b. 8.1 to 12% of fair market value	12	
c. 4.1 to 8.0% of fair market value	9	
d. 2.1 to 4.0% of fair market value	6	
e. 1.0 to 2.0% of fair market value	3	
f. Less than 1% of fair market value	0	
	336.13%	

6. SPECIAL INCENTIVE POINTS

Applicant:

A. Is using a master plan which includes water management & conservation	4	X
B. Has a replacement fund receiving annual deposits of 5% of drinking water budget	4	
C. Is creating or enhancing a regionalization plan	4	X
D. Has a rate structure encouraging conservation	4	
E. Has received a Quality Community designation	4	

TOTAL POINTS FOR FINANCIAL NEED

63

TOTAL POSSIBLE POINTS FOR FINANCIAL NEED

100

**02020 Snowville Waterworks
Compliance Report
May 3, 2004**

Administration:

System needs to develop a Cross Connection Control Program

Operator Certification:

No issues

Bacteriological Information:

No issues

Chemical Monitoring:

No issues

Lead/Copper:

No issues

Consumer Confidence Report

The reports covering calendar year 2001, 2002 are past due.
The report for 2003 is due July 1, 2004.

Physical Facilities:

Well must have a sampling tap prior to the check valve
Well air vent on the discharge pipe must be down-turned and screened
Well house must have a floor drain with discharge to daylight
220,000 Reservoir overflow pipe needs 12 inches of freefall and the discharge end
screen needs to be secured

Drinking Water Source Protection:

We concurred with the Drinking Water Source Protection Plan for the Snowville
Well (source no. 02020-01) in 2002. Their next updated Plan is due by the end of
2004.

Snowville Water Works

On March 4, 2005 the Board authorized Snowville Water Works funding of \$500,000 to construct a new storage tank and a new well, install a new transmission line, replace existing water lines, and install water meters. The terms of the loan include an interest rate of zero percent (0%) over 30 years, in lieu of 20% Principal Forgiveness and 2.11% interest on the \$400,000 balance.

In a letter dated October 19, 2005, Snowville Water Works is requesting an additional \$150,000 to cover additional project costs. In June of 2004, Snowville was ready to request funding and their engineer prepared a cost estimate for the project. But, Snowville has been in the process of meeting the funding requirements of USDA Rural Development, Community Development Block Grant and the Drinking Water Board and the project had some delays. Significant increases have occurred in the construction industry since the original estimates were prepared.

A revised repayment schedule and the repayment schedule for the original authorization are included in the packet.

System Rating is "APPROVED"

SRF/Conservation Committee Recommendation:

The Board authorize an additional \$150,000 at 0% interest for 30 years to cover the additional project costs for a total loan amount of \$650,000.

SNOWVILLE WATER WORKS - Drinking Water Loan

PROPOSED BOND REPAYMENT SCHEDULE

Revised: October 21, 2005

AUTHORIZED LOAN AMOUNT
PRINCIPAL FORGIVEN
PRINCIPAL FOR REPAYMENT

\$650,000.00
\$0.00
\$650,000.00

TERM (YEARS) 30
INTEREST RATE = 0.00%

ANTICIPATED CLOSING DATE
FIRST PRINCIPAL PAYMENT DUE

01-Feb-06
01-Sep-07

HARDSHIP ASSESSMENT FEE = 0.00%

ESTIMATED ANNUAL PRINCIPAL & ASSESSMENT FEE \$21,666.67

YEAR	BEGINNING BALANCE	DATE OF PAYMENT	PAYMENT	PRINCIPAL	HARDSHIP ASSESSMENT FEE	ENDING BALANCE	PAYM NO.
2006	\$650,000.00		\$0.00	\$0.00	\$0.00	\$650,000.00	0
2007	\$650,000.00		\$22,000.00	\$22,000.00	\$0.00	\$628,000.00	1
2008	\$628,000.00		\$22,000.00	\$22,000.00	\$0.00	\$606,000.00	2
2009	\$606,000.00		\$22,000.00	\$22,000.00	\$0.00	\$584,000.00	3
2010	\$584,000.00		\$22,000.00	\$22,000.00	\$0.00	\$562,000.00	4
2011	\$562,000.00		\$22,000.00	\$22,000.00	\$0.00	\$540,000.00	5
2012	\$540,000.00		\$22,000.00	\$22,000.00	\$0.00	\$518,000.00	6
2013	\$518,000.00		\$22,000.00	\$22,000.00	\$0.00	\$496,000.00	7
2014	\$496,000.00		\$22,000.00	\$22,000.00	\$0.00	\$474,000.00	8
2015	\$474,000.00		\$22,000.00	\$22,000.00	\$0.00	\$452,000.00	9
2016	\$452,000.00		\$22,000.00	\$22,000.00	\$0.00	\$430,000.00	10
2017	\$430,000.00		\$22,000.00	\$22,000.00	\$0.00	\$408,000.00	11
2018	\$408,000.00		\$21,000.00	\$21,000.00	\$0.00	\$387,000.00	12
2019	\$387,000.00		\$22,000.00	\$22,000.00	\$0.00	\$365,000.00	13
2020	\$365,000.00		\$21,000.00	\$21,000.00	\$0.00	\$344,000.00	14
2021	\$344,000.00		\$22,000.00	\$22,000.00	\$0.00	\$322,000.00	15
2022	\$322,000.00		\$21,000.00	\$21,000.00	\$0.00	\$301,000.00	16
2023	\$301,000.00		\$22,000.00	\$22,000.00	\$0.00	\$279,000.00	17
2024	\$279,000.00		\$21,000.00	\$21,000.00	\$0.00	\$258,000.00	18
2025	\$258,000.00		\$22,000.00	\$22,000.00	\$0.00	\$236,000.00	19
2026	\$236,000.00		\$21,000.00	\$21,000.00	\$0.00	\$215,000.00	20
2027	\$215,000.00		\$22,000.00	\$22,000.00	\$0.00	\$193,000.00	21
2028	\$193,000.00		\$21,000.00	\$21,000.00	\$0.00	\$172,000.00	22
2029	\$172,000.00		\$22,000.00	\$22,000.00	\$0.00	\$150,000.00	23
2030	\$150,000.00		\$21,000.00	\$21,000.00	\$0.00	\$129,000.00	24
2031	\$129,000.00		\$22,000.00	\$22,000.00	\$0.00	\$107,000.00	25
2032	\$107,000.00		\$21,000.00	\$21,000.00	\$0.00	\$86,000.00	26
2033	\$86,000.00		\$22,000.00	\$22,000.00	\$0.00	\$64,000.00	27
2034	\$64,000.00		\$21,000.00	\$21,000.00	\$0.00	\$43,000.00	28
2035	\$43,000.00		\$22,000.00	\$22,000.00	\$0.00	\$21,000.00	29
2036	\$21,000.00		\$21,000.00	\$21,000.00	\$0.00	\$0.00	30
			\$650,000.00	\$650,000.00	\$0.00		

SNOWVILLE WATER WORKS - AUTHORIZED MARCH 4, 2005

PROPOSED BOND REPAYMENT SCHEDULE

AUTHORIZED LOAN AMOUNT
\$500,000.00
PRINCIPAL FORGIVEN
\$0.00
PRINCIPAL FOR REPAYMENT
\$500,000.00

TERM (YEARS) 30
INTEREST RATE 0.00%

1-Sep-05
1-Jun-07

ANTICIPATED CLOSING DATE
FIRST PRINCIPAL PAYMENT DUE

0.00%

\$16,666.67

ESTIMATED ANNUAL PAYMENT

YEAR	BEGINNING BALANCE	DATE OF PAYMENT	PAYMENT	PRINCIPAL	HARDSHIP GRANT ASSESSMENT	ENDING BALANCE	PAYM NO.
2006	\$500,000.00		\$0.00	\$0.00	\$0.00	\$500,000.00	0
2007	\$500,000.00		\$16,000.00	\$16,000.00	\$0.00	\$484,000.00	1
2008	\$484,000.00		\$16,000.00	\$16,000.00	\$0.00	\$468,000.00	2
2009	\$468,000.00		\$16,000.00	\$16,000.00	\$0.00	\$452,000.00	3
2010	\$452,000.00		\$16,000.00	\$16,000.00	\$0.00	\$436,000.00	4
2011	\$436,000.00		\$16,000.00	\$16,000.00	\$0.00	\$420,000.00	5
2012	\$420,000.00		\$16,000.00	\$16,000.00	\$0.00	\$404,000.00	6
2013	\$404,000.00		\$16,000.00	\$16,000.00	\$0.00	\$388,000.00	7
2014	\$388,000.00		\$16,000.00	\$16,000.00	\$0.00	\$372,000.00	8
2015	\$372,000.00		\$16,000.00	\$16,000.00	\$0.00	\$356,000.00	9
2016	\$356,000.00		\$16,000.00	\$16,000.00	\$0.00	\$340,000.00	10
2017	\$340,000.00		\$17,000.00	\$17,000.00	\$0.00	\$323,000.00	11
2018	\$323,000.00		\$17,000.00	\$17,000.00	\$0.00	\$306,000.00	12
2019	\$306,000.00		\$17,000.00	\$17,000.00	\$0.00	\$289,000.00	13
2020	\$289,000.00		\$17,000.00	\$17,000.00	\$0.00	\$272,000.00	14
2021	\$272,000.00		\$17,000.00	\$17,000.00	\$0.00	\$255,000.00	15
2022	\$255,000.00		\$17,000.00	\$17,000.00	\$0.00	\$238,000.00	16
2023	\$238,000.00		\$17,000.00	\$17,000.00	\$0.00	\$221,000.00	17
2024	\$221,000.00		\$17,000.00	\$17,000.00	\$0.00	\$204,000.00	18
2025	\$204,000.00		\$17,000.00	\$17,000.00	\$0.00	\$187,000.00	19
2026	\$187,000.00		\$17,000.00	\$17,000.00	\$0.00	\$170,000.00	20
2027	\$170,000.00		\$17,000.00	\$17,000.00	\$0.00	\$153,000.00	21
2028	\$153,000.00		\$17,000.00	\$17,000.00	\$0.00	\$136,000.00	22
2029	\$136,000.00		\$17,000.00	\$17,000.00	\$0.00	\$119,000.00	23
2030	\$119,000.00		\$17,000.00	\$17,000.00	\$0.00	\$102,000.00	24
2031	\$102,000.00		\$17,000.00	\$17,000.00	\$0.00	\$85,000.00	25
2032	\$85,000.00		\$17,000.00	\$17,000.00	\$0.00	\$68,000.00	26
2033	\$68,000.00		\$17,000.00	\$17,000.00	\$0.00	\$51,000.00	27
2034	\$51,000.00		\$17,000.00	\$17,000.00	\$0.00	\$34,000.00	28
2035	\$34,000.00		\$17,000.00	\$17,000.00	\$0.00	\$17,000.00	29
2036	\$17,000.00		\$17,000.00	\$17,000.00	\$0.00	\$0.00	30
			\$500,000.00	\$500,000.00	\$0.00		

* Assessment Fee Only Payment

October 19, 2005

Merrit N. Fisher
Environmental Engineer
Division of Drinking Water
150 N 1950 W
P.O. Box 144830
Salt Lake City, Utah 84114-4830

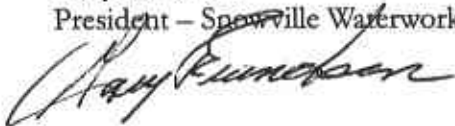
RECEIVED
OCT 21 2005
Drinking Water

Merrit,

In June of 2004 our engineer prepared a Preliminary Engineering Report and cost estimate for the project we are considering. It has been a long process to bring us to this point where we are poised to receive funding from USDA Rural Development, Community Development Block Grant money and generous funding from the Drinking Water Board. As you are aware, significant increases have occurred in the construction industry since the original estimates were prepared. These increases were a result of increase fuel costs, the hurricanes in the Gulf States and other unforeseen influences. Because of those increases we are requesting an additional \$150,000 from your Board. Thank You

Sincerely,

Gary Frandsen
President - Snowville Waterworks



5. SRF/CONSERVATION COMMITTEE

2) SRF APPLICATIONS

e) BEAR RIVER WATER CONSERVANCY DISTRICT

**DRINKING WATER BOARD
BOARD PACKET FOR CONSTRUCTION LOAN
AUTHORIZATION**

APPLICANT'S REQUEST

The South Willard area is an unincorporated area in Box Elder County located between Willard on the north and the Box Elder/Weber County Line to the south. South Willard has been and will likely continue to experience heavy growth. Based on future growth data provided by Box Elder County, the South Willard Water Company (SWWC) will not be able to supply the future drinking water demand. The Bear River Water Conservancy District (BRWCD) was approached by SWWC several years ago with a request to assist SWWC in providing drinking water to the area. In addition, two large land developers have petitioned the District for water service. BRWCD has master planned the area to be served by the proposed BRWCD facilities. They have also acquired land for a well and a reservoir site as well as easements for a main water transmission pipeline. BRWCD has already completed a 16" diameter well at the well site. Their project consists of constructing a water storage reservoir and main transmission line. This would be the first phase of the District's water system in the South Willard area. The total cost of the project is \$2,880,000. Their self contribution is \$480,000. The BRWCD requests the remaining money from the Drinking Water Board.

STAFF COMMENTS

Currently, the BRWCD serves 118 retail customers and serves an estimated 9,778 wholesale customers throughout the area. The BRWCD was formed in 1988 and is an excellent example of regionalization by serving water to neighboring systems in need due to water shortages and/or water quality issues. The average water bill for the retail customers in 2006 was \$39.76 per month per connection (or \$56,300 annually), while the revenue from wholesale customers is extremely low on a per connection basis and is approximately \$82,500 yearly. The retail users currently have an "effective water bill" of \$50.35 per month (1.61% of MAGI) consisting of \$39.76 for culinary water, an estimated \$5 for irrigation water, and an average \$5.59 from tax revenue. Based on the projected water bill, the BRWCD qualifies for grant money. The proposed water bill would exceed 3% of the local MAGI. A graduated repayment schedule has been proposed, which takes into account growth and impact fees coming in. A proposed impact fee of \$3,000 or more is also suggested, which is an increase from the current \$2,250.

It is also proposed that 60% of collected impact fees that exceed those estimated in the Growth Projection spreadsheet be repaid to the board as early repayment in case growth exceeds the proposed rate. This would be included in the terms of the bond documents.

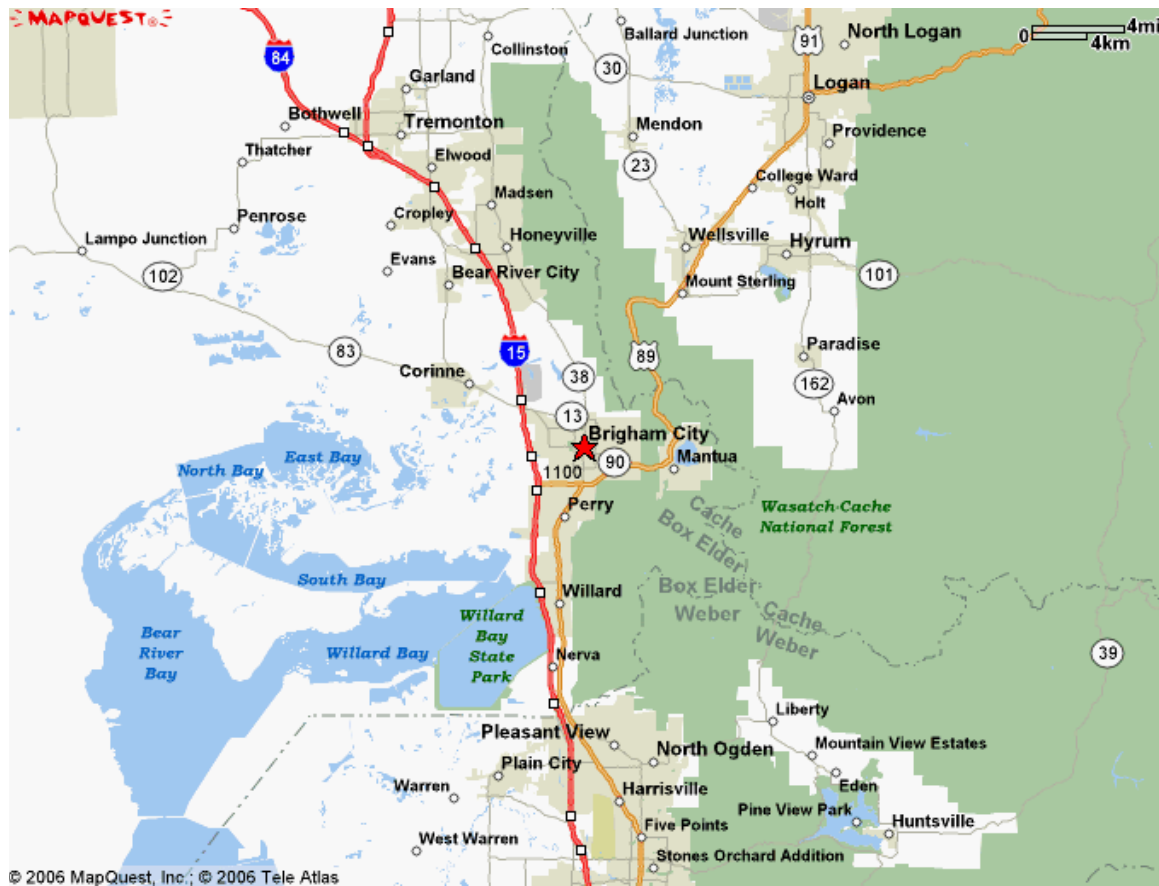
SRF/CONSERVATION COMMITTEE RECOMMENDATION:

The Board authorizes a loan of \$1,800,000 at 2.19% for 20 years and a grant of \$600,000 to the Bear River Water Conservancy District for the South Willard project, with the condition that the District increase their impact fees appropriately and repay 60% of the impact fees collected that exceed the amount of the fees estimated in the Growth Projection spreadsheet and allow a modified repayment schedule as shown in the packet.

APPLICANT'S LOCATION:

The Bear River Water Conservancy District is located in Box Elder County.

MAP OF APPLICANT'S LOCATION:



PROJECT DESCRIPTION:

Their project consists of constructing a water storage reservoir and main transmission line. This includes the first phase of the District's water system in the South Willard area.

The South Willard area is an unincorporated area in Box Elder County located between Willard on the north and the Box Elder/Weber County Line to the south. South Willard has been and will likely continue to experience heavy growth. Based on future growth data provided by Box Elder County, the South Willard Water Company (SWWC) will not be able to supply the future drinking water demand. The Bear River Water Conservancy District (BRWCD) was approached by SWWC several years ago with a request to assist SWWC in providing drinking water to the area. In addition, two large land developers have petitioned the District for water service. Since that time, BRWCD has filed for and received a new appropriation for water rights for 5.0 cubic feet per second and 1,647 acre feet annual withdrawals. BRWCD has master planned the area to be served by the proposed BRWCD facilities. They have also acquired land for a well and a reservoir site as well as easements for a main water transmission pipeline. BRWCD has already completed a 16" diameter well at the well site. This application for funding assistance includes the first phase of the BRWCD's water system in the South Willard Area.

POPULATION GROWTH:

estimated growth (# of connections) ... conservative figures

Area	2007	2008	2009	2010	2011
South Willard	0	25	50	75	100
Total	118	143	168	193	218

IMPLEMENTATION SCHEDULE:

(Estimate of completion dates for major milestones)

Apply to DWB for Funding:

July 12, 2006

DWB Funding Authorization:

September 14, 2007

Begin Construction:

January 2008

Complete Construction:

Summer 2008

COST ESTIMATE:

Construction:	\$2,084,000
Engineering (10%):	\$288,000
Capital Facilities, Land:	\$26,000
Contingency (15%):	\$432,000
Legal/Bonding:	\$50,000
Total Capital Cost:	<hr/> \$2,880,000

COST ALLOCATION:

The cost allocation proposed for the project is shown below.

<u>Funding Source</u>	<u>Cost Sharing</u>	<u>Percent of Project</u>
DWB Loan (2.19, 20-yr)	\$1,800,000	62.50
DWB Grant	\$600,000	20.83
Local Contribution	\$480,000	16.67
Loan Origination Fee (1.0%)	**\$18,000	n/a
Total Amount:	\$2,880,000	100.00

ESTIMATED ANNUAL COST OF WATER SERVICE (YR-2012):

Operation & Maintenance:	\$50,000
Existing Debt Service:	\$187,483
DDW Debt Service (2.19%, 20yrs):	\$113,232
DDW 10% Coverage:	\$11,323
DDW 15% Partial Coverage:	n/a
Depreciation:	\$50,800
5% Replacement Reserve:	\$20,075
Total Annual Cost / ERC (at Yr-2012):	\$930
Monthly Cost / ERC (at Yr-2012):	\$82.53
Cost as % of MAGI:	2.63%

CONTACT INFORMATION:

APPLICANT: Bear River Water Conservancy District
102 West Forest
Brigham City, UT 84302
(435) 723-7034

PRESIDING OFFICIAL &
CONTACT PERSON: Voneene Jorgensen, General Manager
102 West Forest
Brigham City, UT 84302
(435) 723-7034

CONSULTING ENGINEER: William S. Bigelow, P.E.
Hansen, Allen, & Luce, Inc.
6771 S. 900 E.
Midvale, UT 84047
(801) 566-559

FINANCIAL CONSULTANT: Marc Edminster
Lewis Young Robertson Burningham
136 E. South Temple Suite 100
Salt Lake City, UT 84111
(801) 596-0700

DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: Bear River WCD

FUNDING SOURCE: State SRF

COUNTY: Box Elder

PROJECT DESCRIPTION: new storage tank, transmission line, and well

Year 2012

75% Loan & 25% Grant

IRRIGATION WATER BILL:	\$5.00	NO. OF CONNECTIONS:	193	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$50.35 *	FINANCIAL PTS:	57	PROJECT TOTAL:	\$2,898,000
CURRENT % OF AGI:	1.61%	ESTIMATED POPULATION:	14,130	LOAN AMOUNT:	\$1,818,000
ESTIMATED MEDIAN AGI:	\$37,590			GRANT AMOUNT:	\$600,000
STATE AGI:	\$34,801			TOTAL REQUEST:	\$2,418,000
SYSTEM % OF STATE AGI:	108%				

	@ ZERO % RATE 0%	@ RBBI MKT RATE 4.66%	EQUIVALENT ANNUAL PAYMENT 0.00% **	AFTER REPAYMENT PENALTY & POINTS 2.19%
ASSUMED LENGTH OF DEBT, YRS:	20	20	20	20
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	4.66%	0.00%	2.19%
REQUIRED DEBT SERVICE:	\$90,900.00	\$141,705.19	\$113,231.92	\$107,317.60
PARTIAL COVERAGE (15%):	\$0.00	\$0.00	\$0.00	\$0.00
ADD. COVERAGE AND RESERVE (10%):	\$9,090.00	\$14,170.52	\$11,323.19	\$11,323.19
ANNUAL DEBT PER CONNECTION:	\$518.08	\$807.65	\$645.36	\$614.72
O & M + FUNDED DEPRECIATION:	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00
OTHER DEBT + COVERAGE:	\$234,353.75	\$234,353.75	\$234,353.75	\$234,353.75
REPLACEMENT RESERVE ACCOUNT:	\$18,959.15	\$21,499.41	\$20,075.75	\$20,075.75
NEEDED SYSTEM INCOME:	\$59,812.90	\$62,353.16	\$60,929.50	\$60,929.50
ANNUAL O&M PER CONNECTION:	\$309.91	\$323.07	\$315.70	\$315.70
 AVG MONTHLY WATER BILL:	 \$74.00	 \$99.23	 \$85.09	 \$82.53
 % OF ADJUSTED GROSS INCOME:	 2.36%	 3.17%	 2.72%	 2.63%

* Current water bill is based on base rate for culinary (\$39.76) plus secondary water (\$5) plus tax revenue (\$5.59)

** \$2,264,000 loan @ 0% & \$154,000 grant (equivalent to \$1,818,000 loan @ 2.19% & \$600,000 grant)

Bear River WCD

PROPOSED BOND REPAYMENT SCHEDULE

75% Loan & 25% Grant

PRINCIPAL	\$1,818,000.00	ANTICIPATED CLOSING DATE	15-Jan-08
INTEREST	2.19%	P&I PAYMT DUE	01-Jan-10
TERM	20	REVENUE BOND	
NOMIN. PAYMENT	\$113,231.92	PRINC PREPAID:	\$0.00

YEAR	BEGINNING BALANCE	DATE OF PAYMENT	PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	PAYM NO.	Principle modified	% of MAGI
2009	\$1,818,000.00		\$38,265.87 *	\$0.00	\$38,265.87	\$1,818,000.00	0		
2010	\$1,818,000.00		\$92,814.20	\$53,000.00	\$39,814.20	\$1,765,000.00	1	\$20,000.00	3.19%
2011	\$1,765,000.00		\$99,653.50	\$61,000.00	\$38,653.50	\$1,704,000.00	2	\$15,000.00	2.86%
2012	\$1,704,000.00		\$107,317.60	\$70,000.00	\$37,317.60	\$1,634,000.00	3	\$8,000.00	2.63%
2013	\$1,634,000.00		\$115,784.60	\$80,000.00	\$35,784.60	\$1,554,000.00	4	\$0.00	2.46%
2014	\$1,554,000.00		\$116,032.60	\$82,000.00	\$34,032.60	\$1,472,000.00	5	\$0.00	2.22%
2015	\$1,472,000.00		\$116,236.80	\$84,000.00	\$32,236.80	\$1,388,000.00	6	\$0.00	2.03%
2016	\$1,388,000.00		\$116,397.20	\$86,000.00	\$30,397.20	\$1,302,000.00	7	\$0.00	1.88%
2017	\$1,302,000.00		\$116,513.80	\$88,000.00	\$28,513.80	\$1,214,000.00	8	\$0.00	1.74%
2018	\$1,214,000.00		\$116,586.60	\$90,000.00	\$26,586.60	\$1,124,000.00	9	\$0.00	1.63%
2019	\$1,124,000.00		\$115,615.60	\$91,000.00	\$24,615.60	\$1,033,000.00	10	\$0.00	1.52%
2020	\$1,033,000.00		\$116,622.70	\$94,000.00	\$22,622.70	\$939,000.00	11	\$0.00	1.44%
2021	\$939,000.00		\$116,564.10	\$96,000.00	\$20,564.10	\$843,000.00	12	\$0.00	1.47%
2022	\$843,000.00		\$116,461.70	\$98,000.00	\$18,461.70	\$745,000.00	13	\$0.00	1.41%
2023	\$745,000.00		\$116,315.50	\$100,000.00	\$16,315.50	\$645,000.00	14	\$0.00	1.32%
2024	\$645,000.00		\$116,125.50	\$102,000.00	\$14,125.50	\$543,000.00	15	\$0.00	1.24%
2025	\$543,000.00		\$115,891.70	\$104,000.00	\$11,891.70	\$439,000.00	16	\$0.00	1.17%
2026	\$439,000.00		\$115,614.10	\$106,000.00	\$9,614.10	\$333,000.00	17	\$0.00	1.11%
2027	\$333,000.00		\$116,292.70	\$109,000.00	\$7,292.70	\$224,000.00	18	\$0.00	1.05%
2028	\$224,000.00		\$115,905.60	\$111,000.00	\$4,905.60	\$113,000.00	19	\$0.00	0.98%
2029	\$113,000.00		\$115,474.70	\$113,000.00	\$2,474.70	\$0.00	20		
			\$2,312,486.67	\$1,818,000.00	\$494,486.67				

*Interest Only Payment

Bear River WCD

DWB Loan Terms

Local Share (total):	\$	480,000
Other Agency Funding:	\$	-
DWB Grant Amount:	\$	600,000
DWB Loan Amount:	\$	1,818,000
DWB Loan Term:		20
DWB Loan Interest:		2.19%
DWB Loan Payment:	\$	113,232

DW Expenses (Estimated)

Proposed Facility Capital Cost:	\$	2,898,000
Existing Facility O&M Expense:	\$	50,000
Proposed Facility O&M Expense:	\$	50,000
O&M Inflation Factor:		1.0%
Existing Debt Service:	\$	187,483

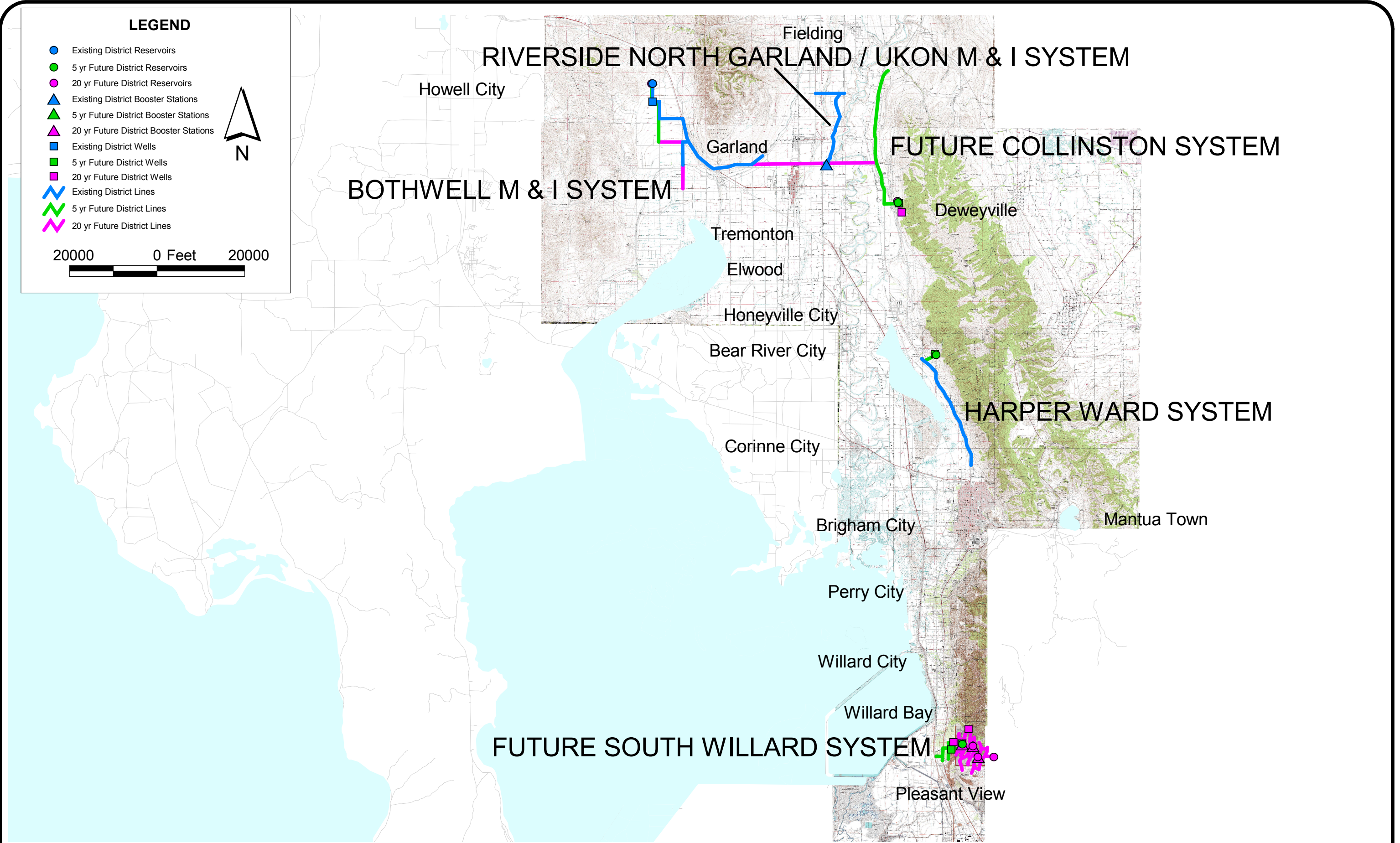
DW Revenue Sources (Projected)

Beginning Cash:	\$	-
Existing Customers (ERC):		193
Projected Growth Rate:		5.0%
Impact Fee/Connection Fee:	\$	3,000
Current Monthly User Charge:	\$	45.35
Needed Average Monthly User Charge:	\$	77.53

DW Revenue Projections

	Growth Rate	Annual Growth	Total Users	User Charge	Impact Fee	Total	DWB Loan	DWB Loan	Remaining	Principal	Interest	Existing	O&M	Total	Beginning	Ending	Net	Debt		
Yr	(%)	(ERC)	(ERC)	Revenue	Revenue	Revenue	Repayment	Reserves	Principal	Payment	Payment	DW Debt Service	Expenses	Expenses	Cash	Cash Flow	Revenue	Service Ratio		
0	0.0%	0	118	64,216	-	64,216	-	-	1,818,000	-	-	187,483	50,000	237,483	-	173,267	-	173,267	-	
2010	21.2%	25	143	133,049	75,000	376,549	92,814	11,323	1,765,000	53,000	39,814	176,314	50,000	330,451	-	173,267	-	127,169	46,098	1.21
2011	17.5%	25	168	156,310	75,000	399,810	99,654	11,323	1,704,000	61,000	38,654	175,730	50,500	337,207	-	127,169	-	64,566	62,603	1.27
2012	14.9%	25	193	179,570	75,000	423,070	107,318	11,323	1,634,000	70,000	37,318	179,134	51,005	348,780	-	64,566	9,724	74,290	74,290	1.30
2013	13.0%	25	218	202,831	75,000	446,331	115,785	11,323	1,554,000	80,000	35,785	187,483	51,515	366,106		9,724	89,949	80,225	80,225	1.30
2014	11.5%	25	243	226,091	75,000	469,591	116,033	11,323	1,472,000	82,000	34,033	188,727	52,030	368,113		89,949	191,427	101,478	101,478	1.37
2015	10.3%	25	268	249,351	75,000	492,851	116,237	11,323	1,388,000	84,000	32,237	187,942	52,551	368,052		191,427	316,226	124,799	124,799	1.45
2016	9.3%	25	293	272,612	75,000	516,112	116,397	11,323	1,302,000	86,000	30,397	190,144	53,076	370,940		316,226	461,398	145,171	145,171	1.51
2017	8.5%	25	318	295,872	75,000	539,372	116,514	11,323	1,214,000	88,000	28,514	192,302	53,607	373,746		461,398	627,024	165,627	165,627	1.57
2018	7.9%	25	343	319,133	75,000	562,633	116,587	11,323	1,124,000	90,000	26,587	198,422	54,143	380,475		627,024	809,182	182,158	182,158	1.61
2019	7.3%	25	368	342,393	75,000	585,893	115,616	11,323	1,033,000	91,000	24,616	200,458	54,684	382,081		809,182	1,012,994	203,812	203,812	1.68
2020	6.8%	25	393	365,653	75,000	609,153	116,623		939,000	94,000	22,623	200,448	55,231	372,302	1,012,994	1,249,846	236,852	236,852	1.75	
2021	5.0%	20	413	384,262	60,000	612,762	116,564		843,000	96,000	20,564	201,416	55,783	373,764	1,249,846	1,488,844	238,998	238,998	1.75	
2022	5.0%	20	433	402,870	60,000	631,370	116,462		745,000	98,000	18,462	192,350	56,341	365,153	1,488,844	1,755,062	266,217	266,217	1.86	
2023	5.0%	22	455	423,339	66,000	657,839	116,316		645,000	100,000	16,316	126,416	56,905	299,636	1,755,062	2,113,265	358,203	358,203	2.48	
2024	5.0%	23	478	444,739	69,000	682,239	116,126		543,000	102,000	14,126	127,999	57,474	301,598	2,113,265	2,493,905	380,641	380,641	2.56	
2025	5.0%	24	502	467,069	72,000	707,569	115,892		439,000	104,000	11,892	127,546	58,048	301,486	2,493,905	2,899,988	406,083	406,083	2.67	
2026	5.0%	25	527	490,329	75,000	733,829	115,614		333,000	106,000	9,614	55,080	58,629	229,323	2,899,988	3,404,494	504,506	504,506	3.96	
2027	5.0%	26	553	514,520	78,000	761,020	116,293		224,000	109,000	7,293	54,540	59,215	230,048	3,404,494	3,935,466	530,972	530,972	4.11	
2028	5.0%	28	581	540,572	84,000	793,072	115,906		113,000	111,000	4,906	-	59,807	175,713	3,935,466	4,552,825	617,359	617,359	6.33	
2029	5.0%	29	610	567,554	87,000	823,054	115,475		-	113,000	2,475	-	60,405	175,880	4,552,825	5,199,999	647,174	647,174	6.60	

Total Paid in Debt Service = 1,818,000 456,221



02066 Bear River WCD-Tremonton
Compliance Report
April 2, 2007

Administration:

No issues

Operator Certification:

No issues

Bacteriological Information:

No issues

Chemical Monitoring:

No issues

Lead/Copper:

No issues

Consumer Confidence Reports:

No issues

Physical Facilities:

The well discharge pump to waste line needs a #4 mesh screen.

The system needs a self contained breathing apparatus

Drinking Water Source Protection:

No issues

Plan Review:

No issues

02068 Bear River WCD-Harper Ward
Compliance Report
April 2, 2007

Administration:

No issues

Operator Certification:

No issues

Bacteriological Information:

No issues

Chemical Monitoring:

No issues

Lead/Copper:

No issues

Consumer Confidence Reports:

Need a "Certification Letter" for their 2005 CCR, due October 1, 2006

Physical Facilities:

No issues

Drinking Water Source Protection:

No issues

Plan Review:

According to our database we have not received, reviewed, or given approval for any drinking water projects under this system number. Perhaps they have been listed incorrectly under other Bear River Water Conservancy District systems.

02070 Bear River WCD-Riverside North Garland
Compliance Report
April 2, 2007

Administration:

No issues

Operator Certification:

No issues

Bacteriological Information:

No issues

Chemical Monitoring:

No issues

Lead/Copper:

No issues

Consumer Confidence Reports:

No issues

Physical Facilities:

No issues

Drinking Water Source Protection:

No issues

Plan Review:

According to our database we have only received, reviewed, and given approval for a Water System Master Plan Study submitted in January of 2005. If other projects have been submitted perhaps they have been listed incorrectly under other Bear River Water Conservancy District systems.

02077 Bear River WCD-South Willard
Compliance Report
April 2, 2007

Administration:

No issues.

Operator Certification:

No issues.

Bacteriological Information:

No issues.

Chemical Monitoring:

Need complete suite of chemical analysis for the South Willard Well (Inorganics and Metals, Nitrate/Nitrite, VOC's, Pesticides and Radionuclides)

Lead/Copper:

Need initial lead/copper samples if the system is to have any retail customers.

Consumer Confidence Reports:

No issues.

Physical Facilities:

Storage Facility ST001 access lacks a proper gasket and the interior is peeling or cracked.

Drinking Water Source Protection:

They have not submitted an upgraded source protection plan for the S. Willard # 1 Well.

Plan Review:

We have reviewed and approved the drilling specifications for the S. Willard #1 Well, but have questioned issuance of an operating permit without the remainder of a system being in place.

AGENDA ITEM 6

RULE R309-352 – NON SUBSTANTIVE RULE
REFERENCE CHANGE – Steve Onysko

**BOARD DECLARATION
THAT
PROPOSED RULE CHANGE IS NONSUBSTANTIVE**

Engineering staff prepared a draft of clarifications to language, usage, and grammar in *R309-352, Capacity Development Program* deemed to be only nonsubstantive. Staff forwarded the draft changes to the Governor's Office where Rule reviewers concurred with the nonsubstantive characterization in all but 7 of the nearly 100 changes.

Division staff therefore propose to file the attached nonsubstantive Rule change -- exclusive of the seven changes which the Governor's Office deemed as substantive -- with the Division of Administrative Rules for *R309-352, Capacity Development Program* for publication in the October 1, 2007, issue of the Utah State Bulletin.

The amendment will be:

R309. Environmental Quality, Drinking Water.

R309-352. Capacity Development Program.

(1) see following pages [disregard highlighted substantive changes].

Date of Enactment or Last Substantive Amendment: September 15, 1999.

Notice of Continuation:

Authorizing, and Implemented or Interpreted Law: 19-4-104; 63-46b-4;

The period for public comment will close at 5:00 p.m. on October 31, 2007. Staff anticipates no comments, negative or positive, concerning the amendments. The Board will be asked at the November 2007 Board meeting to make the Rule effective on any date between the November 2007 Board meeting and January 29, 2008.

Staff Recommendation:

Staff recommends a two part action.

1. The Drinking Water Board authorizes staff to proceed with the filing the attached nonsubstantive (i.e., non-highlighted) changes for R309-352; and then,
2. The Drinking Water Board authorizes staff to proceed no less than a month later with filing the attached substantive (i.e., highlighted) changes for R309-353.

Note: Hunter Finch in Governor's Office has noted **seven (7) substantive changes**. He recommends a regular (i.e., substantive) Rule change.

R309-352. Capacity Development Program
(Effective September 15, 1999)
(Future R309-800)

~~Note: The Division of Drinking Water is currently revising rules. Because of this, some of the references to rule numbers outside of this document may be invalid. This rule will eventually be rewritten as R309-800.~~

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Rule R309-352. Capacity Development Program.

R309-352-1. Authority.

(1) Under authority granted in Subsection 19-4-104(1)(a)(v), the Drinking Water Board adopts this rule implementing the capacity development program and governing the allotment of federal funds to public water systems to assist them to comply with the ~~Federal~~ federal 1996 Reauthorized Safe Drinking Water Act 1996 Amendments to the Safe Drinking Water Act - Public Law 104-182 (herein referred to as SDWA).

R309-352-2. Purpose.

(1) ~~The~~ SDWA makes certain federal funds available to states, Section 1452(k)(2)(c), section 1452(k)(2)(C) to provide assistance to any public water system as part of a capacity development strategy developed and implemented in accordance with ~~section~~ Section 1420(c) to ensure all new public water systems will be able to comply with ~~the~~ SDWA, to enhance capability of existing public water ~~systems' capability~~ systems to comply with ~~the~~ SDWA, and determine which public water systems ~~applying that~~ apply for financial assistance are eligible to use State Revolving Funds: the State Drinking Water Project Revolving Loan Program [R309-700] and the Federal Drinking Water Project Revolving Loan Program [R309-705].

(2) The purpose of the Capacity Development Program is to enhance and ensure the technical, financial, and managerial capacity of water systems. The long range goals are to promote compliance with drinking water regulations for the long term and to promote the public health protection objectives of ~~the Safe Drinking Water Act: SDWA.~~

R309-352-3. Definitions.

(1) Definitions for terms used in this ~~rule~~ Rule are given in ~~R309-200~~ R309-110, Definitions, except as modified below.

(2) "Capacity Development" means technical, managerial, and financial capabilities of ~~the a public~~ water system to plan for, achieve, and maintain compliance with applicable drinking water standards.

(3) "Drinking Water Region Planning" means a ~~county-wide~~ county-wide water plan, administered locally by a coordinator, ~~who~~ The coordinator facilitates the input of representatives of each public water system in the county with a selected ~~consultant,~~ consultant. The consultant determines to determine how each public water system will either collectively or individually comply with (i) source protection, (ii) operator

certification, (iii) monitoring ~~including consumer confidence reports (including consumer confidence reports)~~, (iv) capacity development ~~including technical, financial and managerial aspects (including technical, financial, and managerial aspects)~~, (v) environmental issues, ~~and~~ (vi) available funding and related studies. ~~including consumer confidence reports (including Consumer Confidence Reports)~~. ~~, capacity development including technical, financial and managerial aspects, environmental issues, available funding and related studies.~~

(4) "Small Water System" means a water system with ~~less~~ fewer than 3,300 people being served.

(5) "Public Water System" means a system providing water for human consumption and other domestic uses through pipes or other constructed conveyances, which has at least 15 service connections or serves an average of at least 25 individuals daily at least 60 days out of the year.

(6) "Non-Community Water System" (NCWS) means a public water system that is not a community water system. There are two types of NCWS's: transient and non-transient.

(7) Non-Transient Non-Community Water System (NTNCWS) means a public water system that regularly serves at least 25 of the same nonresident persons per day for more than six months per year. Examples of such systems are those serving the same individuals (industrial workers, school children, church members) by means of a separate system.

(8) "New Water System" means a system that will become a community water system or non-transient, non-community water system on or after October 1, 1999.

(9) "Required reserve" means funds set aside to meet requirements set forth in a loan covenant/bond indenture.

R309-352-4. General.

(1) Capacity development criteria are to be used as a guideline for all water systems. These criteria constitute ~~a standard~~ standards applied when (i) reviewing ~~systems~~ applications to create new public water systems applications, (ii) reviewing applications from existing public water systems for financial assistance ~~and~~ , or (iii) assessing capacity of existing public water systems rated ~~unapproved or in significant non-compliance~~ unapproved or in significant noncompliance by the State or ~~the~~ EPA.

(2) Water systems shall meet the following criteria:

(a) Technical Capacity Criteria:

- (i) Finished water shall meet all drinking water standards as required by Utah State Rules;
- (ii) Personnel shall operate the system in accordance with ~~the~~ any applicable operations and maintenance ~~manual~~ manuals;
- (iii) Water system shall have a ~~A~~ valid water right ~~shall be obtained~~ exist;
- (iv) Water system shall meet source, storage, and distribution requirements ~~as~~ per Utah State Rules;
- (v) Water system shall not be rated ~~unapproved or in significant noncompliance~~ unapproved or in significant noncompliance by the State or ~~the~~ EPA.

(b) Managerial Capacity Criteria:

- (i) ~~The system~~ Water system owner(s) shall be clearly identified to the Executive Secretary;
- (ii) ~~The system~~ Water system shall ~~meet~~ comply with all of the operator certification requirements as per ~~R309-301 and backflow technician certification requirements as per R309-302.~~ R309-300, Drinking Water System Operators, and R309-305, Backflow Technicians.
- (iii) ~~A system~~ Procedures or ~~method~~ methods shall be in-place to effectively maintain all requisite records, distribution system histories/maps, and compliance information; ~~and~~ and,
- (iv) Any ~~operating plan~~ Operating Plan shall include (i) ~~names~~ name(s) and certification ~~level~~ level(s) of the system operator(s), (ii) facility operation and maintenance manuals, (iii) routine maintenance procedures, (iv) water quality violations response procedures, (v) ~~a~~ a water quality monitoring plan, (vi) ~~a personnel~~ a personnel training plan, and (vii) ~~an~~ an emergency response plan; and,
- (v) The Executive Secretary of the Drinking Water Board shall be informed of management changes.

(c) Financial Capacity Criteria:

- (i) Revenues shall be greater than expenses;
- (ii) A financial statement compilation by a Certified Public Accountant, or an audit if otherwise required of the water system, shall be completed every three years;

(iii) The water system shall devise and implement a managerial budget and accounting process in accordance with generally accepted principles ~~principals~~;

(iv) The operating ratio ~~(operating revenue divided by operating expenses excluding depreciation and required reserves)~~ , i.e., operating revenue divided by operating expenses (excluding depreciation and required reserves), shall be greater than 1.0;

(v) The coverage ratio ~~(total revenues minus operating expenses excluding depreciation and required reserves divided by annual debt service)~~ , i.e., total revenues minus operating expenses (excluding depreciation and required reserves) divided by annual debt service, shall be greater than 1.0;

(vi) ~~Customers~~ Water service connections shall be metered; ~~and and~~,

(vii) An emergency/replacement reserve ~~account~~ shall be created and ~~funded funded~~.

R309-352-5. Requirements for New Community and New ~~Non-transient, Non-community~~ Nontransient, Noncommunity Water Systems.

(1) Feasibility Review, ~~(See R309-101-3).~~ [see R309-100-6].

(2) Each proposed, new water system must demonstrate that it has adequate technical, managerial, and financial capacity before it may provide water for human consumption. Proposed water systems shall submit the following for Capacity Assessment Review:

(3) Project Notification ~~form~~ Form ~~(see R309-201-6).~~ [see R309-500-6(1)].

(4) A ~~business plan, which includes a facilities plan, management plan, and financial plan~~ Business Plan, which includes a Facilities Plan, a Management Plan, and a Financial Plan.

(a) Facilities ~~plan~~ Plan. The ~~facilities plan~~ Facilities Plan shall describe the scope of the water services to be provided by the proposed new public water system and shall include the following:

(i) A description of the nature and extent of the area to be served, and provisions for extending the water supply system to include additional area. [One extra space] The description shall include population and land use projections and forecasts of water usage;

(ii) An assessment of current and expected drinking water compliance based on monitoring data from the proposed water source;

(iii) A description of the alternatives to creation of a new water system that have been considered, including interconnections with other existing water systems, and the reasons for selecting the method of providing water service. This description shall include the technical, managerial, financial and operational reasons for the selected ~~method, and~~ method; and,

(iv) An engineering description of the facilities to be constructed, including (i) ~~the construction phases and future phases and future~~ phases, (ii) future phases, and (iii) plans for expansion. This description shall include an estimate of the full cost of any required construction, operation, and maintenance;

(b) Management ~~plan~~ Plan. The ~~management plan~~ Management Plan shall describe what is needed to provide ~~for~~ effective management and operation of the proposed new public water system and shall include the following:

(i) Documentation that the applicant has the legal right and authority to take the measures necessary for the construction, operation, and maintenance of the new public system. The documentation shall include evidence of ownership if the applicant is the owner of the system or, if the applicant is not the owner, documentation of legally enforceable management contracts or agreements;

(ii) An ~~operating plan~~ Operating Plan that describes the tasks to be performed in managing and operating the system. The ~~operating plan~~ Operating Plan shall consist of administrative and management organization charts, plans for staffing the system with certified operators, and provisions for ~~an~~ operations and maintenance ~~manual~~ manuals; and,
and

(iii) Documentation of (i) credentials of management and operations personnel, (ii) cooperative agreements or service contracts ~~including demonstration of~~ , and (iii) compliance with ~~R309-301 water system operator certification rule~~ operator certification requirements of R309-300, Drinking Water System Operators; and and,

(c) Financial ~~plan~~ Plan. The ~~financial plan~~ Financial Plan shall describe the proposed new public water system's expected revenues, cash flow, ~~income~~ income, and issuance and repayment of debt ~~for (viz., meeting the costs of construction, costs of operation and maintenance)~~ for (viz., meeting the costs of construction, costs of operation and maintenance) for at least five years from the date the applicant expects to begin new public water system operation.

and issuance and repayment of debt for meeting the costs of construction, and the costs of operation and maintenance for at least five years from the date the applicant expects to begin system operation.

and the costs of operation and maintenance for at least five years from the date the applicant expects to begin system operation

(5) After the information submitted by the applicant is complete, the Division of Drinking Water shall conduct a Capacity Assessment Review. The applicant shall be notified in writing whether or not the proposed new public water system has demonstrated adequate capacity. No new community ~~or non-transient, non-community~~ water system or nontransient noncommunity water system will be approved if it lacks adequate capacity.

(6) Those systems constructed without approval shall be subject ~~to: points as per R309-150 to~~ Improvement Priority System (deficiency) points per Rule R309-400, Water System Rating Criteria, administrative and/or civil penalties and fines.

R309-352-6. Minimum Capacity Required for Financial Assistance Under Provisions of ~~R309-351~~ R309-700 and -705.

(1) To obtain financial assistance under the provisions of the State Drinking Water Project Revolving Loan Program [R309-700] or the Federal Drinking Water Project Revolving Loan Program [R309-705], the public water system applicant shall follow a two-step application process. First, the applicant shall complete a short application to establish a position on the priority list. A second application shall include ~~Capacity Assessment Worksheets~~ capacity assessment questionnaire responses, project information, and financial information to verify priority ranking, determine eligibility, and provide a basis for grant/loan parameters.

(2) Financial assistance under the provisions of ~~R309[351]~~ the State Drinking Water Project Revolving Loan Program [R309-700] or the Federal Drinking Water Project Revolving Loan Program [R309-705] shall not be available to ~~a~~ any existing public water system that ~~lacks the technical, managerial, or financial capability to maintain SDWA compliance, or~~ is in significant noncompliance with SDWA or any R309-101 through 104, R309-100 through -115, R309-200 through -225, or [-200 through 211] -R309-500 through -550 requirements, unless ~~the~~ (i) use of ~~the said~~ financial assistance will ensure compliance remedy all noncompliance, or (ii) ~~if~~ the owner of the existing public water system agrees to undertake feasible and appropriate changes ~~in operation~~ to ensure technical, managerial, and financial capacity to comply with ~~the~~ SDWA over the long term.

Key: drinking water, funding, regionalization, capacity development

September 15, 1999

AGENDA ITEM 7

RULE REVISIONS:

R309-700 AND R309-705 – Ken Wilde

**Proposed Revisions to Rule
R309-700
State SRF Loan Program**

Staff has reviewed Rule R309-700 and has marked up the Rule with recommended revisions. The full text of the rule with recommended revisions is attached. Strikethrough in brackets [-] means delete and underline means add. The Board gave staff some suggested revisions and instructed staff to make a comprehensive review of the rule and return to the Board with draft revisions. The suggested revisions add the changes made by the Legislature to Title 73, Chapter 10c of the Utah Code, clarify some of the rule language, make it more consistent with Rule R309-705, make minor corrections, and modify the point system used in determining the terms of proposed funding as requested by the Board.

STAFF RECOMMENDATION:

Review the proposed changes to Rule R309-700 and if they reflect what is wanted, authorize staff to initiate the rule-making process for the rule.

R309. Environmental Quality, Drinking Water.

R309-700. Financial Assistance: State Drinking Water ~~[Project]~~ State Revolving Fund (SRF) Loan Program.

R309-700-1. Purpose.

This rule establishes criteria for financial assistance to public drinking water systems in accordance with Title 73, Chapter 10c, Utah Code Annotated using funds made available by the Utah legislature from time to time for this purpose.

R309-700-2. Statutory Authority.

The authority for the Department of Environmental Quality acting through the Drinking Water Board to issue loans to political subdivisions to finance all or part of drinking water project costs and to enter into "credit enhancement agreements", "interest buy-down agreements", and "Hardship Grants" is provided in Title 73, Chapter 10c, [Title 73,] Utah Code.

R309-700-3. Definitions and Eligibility.

Title 73, Chapter 10c, subsection 4(2)(a) limits eligibility for financial assistance under this section to political subdivisions.

Definitions for terms used in this rule are given in R309-110. Definitions for terms specific to this rule are given below.

"Board" means the Drinking ~~[w]~~Water Board.

"Drinking Water Project" means any work or facility that is necessary or desirable to provide water for human consumption and other domestic uses. Its scope includes collection, treatment, storage, and distribution facilities; and also includes studies, planning, education activities, and design work that will promote protecting the public from waterborne health risks.

"Project Costs" include the cost of acquiring and constructing any project including, without limitation: the cost of acquisition and construction of any facility or any modification, improvement, or extension of such facility; any cost incident to the acquisition of any necessary project, easement or right of way, engineering or architectural fees, legal fees, fiscal agents' and financial advisors' fees; any cost incurred for any preliminary planning to determine the economic and engineering feasibility of a proposed project; costs of economic investigations and studies, surveys, preparation of designs, plans, working drawings, specifications and the inspection and supervision of the construction of any facility; interest accruing on loans made under this program during acquisition and construction of the project; costs for studies, planning, education activities, and design work that will promote protecting the public from waterborne health risks; and any other cost incurred by the Board or the Department of Environmental Quality, in connection with the issuance of obligation to evidence any loan made to it under the law.

"Disadvantaged Communities" are defined as those communities located in an area which has a median adjusted gross income less than or equal to 80% of the State's median adjusted gross income, as determined by the Utah State Tax commission from federal

individual income tax returns excluding zero exemption returns, or where the estimated annual cost, including loan repayment costs, of drinking water service for the average residential user exceeds 1.75% of the median adjusted gross income. If, in the judgment of the Board, the State Tax Commission data is insufficient the Board may accept other measurements of the water users' income (i.e. local income survey or questionnaire when there is a significant difference between the number of service connections for a system and the number of tax filing for a given zip code or city).

"Drinking Water Project Obligation" means any bond, note or other obligation issued to finance all or part of the cost of acquiring, constructing, expanding, upgrading or improving a drinking water project, including, but not limited to, preliminary planning, studies, surveys, engineering or architectural fees, and preparation of plans and specifications.

"Credit Enhancement Agreement" means any agreement entered into between the Board, on behalf of the State, and an eligible water system for the purpose of providing methods and assistance to eligible water systems to improve the security for and marketability of drinking water project obligations.

"Eligible Water System" means any community drinking water system owned by a political subdivision of the State.

"Interest Buy-Down Agreement" means any agreement entered into between the Board, on behalf of the State, and an eligible water system, for the purpose of reducing the cost of financing incurred by an eligible water system on bonds issued by the subdivision for project costs.

"Financial Assistance" means a project loan, credit enhancement agreement, interest buy-down agreement, or technical assistance.

"Interest" means an assessment applied to loan recipients. The assessment shall be calculated as a percentage of principal.

"Emergency" means an unexpected, serious occurrence or situation requiring urgent or immediate action resulting from the failure of equipment or other infrastructure, or contamination of the water supply, threatening the health and / or safety of the public / water users.

R309-700-4. Application and Project Initiation Procedures.

The following procedures must normally be followed to obtain financial assistance from the Board:

(1) It is the responsibility of the applicant to obtain the necessary financial, legal and engineering counsel to prepare its application and an effective and appropriate financial assistance agreement.

(2) A completed application form, engineering report listing the project alternatives considered and including a justification for the chosen alternative, a project financing plan including an evaluation of credit enhancement, interest buy-down and loan methods applicable to the project, and financial capability assessment are submitted to the Board. Comments from the local health department and/or district engineer may accompany the application. Comments from other interested parties such as an

association of governments will also be accepted. Those costs incurred subsequent to the submission of a completed funding application form to the Board and prior to the execution of a financial assistance agreement and which meet the criteria for project costs are eligible for reimbursement from the proceeds of the financial assistance agreement.

(3) An engineering and financial feasibility report is prepared by Division staff for presentation to and consideration by the Board~~[is consideration]~~.

(4) The Board may authorize financial assistance for the project on the basis of the staff's feasibility report and designate whether a loan, credit enhancement agreement, interest buy-down agreement, hardship grant or any combination thereof, is to be entered into, and approve the project schedule (see R309-700-13). The Board shall authorize a hardship grant only if it determines that other financing alternatives are unavailable or unreasonably expensive to the applicant (see R309-700-5). If the applicant seeks financial assistance in the form of a loan of amounts in the security account established pursuant to Chapter 10c, Title 73 ~~[Utah Code]~~, which loan is intended to provide direct financing of projects costs, then the Board shall authorize such loan only if it determines that credit enhancement agreements, interest buy-down agreements and other financing alternatives are unavailable or unreasonably expensive to the applicant or that a loan represents the financing alternative most economically advantageous to the state and the applicant; provided, that for purposes of this paragraph and for purposes of Section 73-10c-4(2), Utah Code, the term "loan" shall not include loans issued in connection with interest buy-down agreements as described in R309-700-~~[11]~~10(2) or in connection with any other interest buy-down arrangement.

(5) Planning Grant - The applicant must submit an application provided by the Division and attach a scope of work, project schedule, cost estimates, and a draft contract for planning services.

(6) Planning Loan - The applicant requesting a Planning Loan must complete an application for a Planning Loan, prepare a plan of study, satisfactorily demonstrate procurement of planning services, and prepare a draft contract for planning services including financial evaluations and a schedule of work.

(7) Design Grant or Loan - The applicant requesting a Design Grant or Loan must have completed an engineering plan meeting program requirements.

(8) The ~~[project]~~ applicant must demonstrate public support for the project. As a minimum, for a loan to be secured by a revenue bond, the Sponsor must mail notices to each water user in the Sponsor's service area informing them of a public hearing. In addition to the time and location of the public hearing the notice shall inform water users of the Sponsor's intent to issue a non-voted revenue bond to the Board, shall describe the face amount of the bond, the rate of interest, the repayment schedule and shall describe the impact of the project on the user including: user

rates, impact and connection fees. The notice shall state that water users may respond to the Sponsor in writing or in the public hearing within ten days after the date of the notice. A copy of all written responses and a certified record of a public hearing shall be forwarded to the Division of Drinking Water.

(9) For financial assistance mechanisms when the applicant's bond is purchased by the Board, the project applicant's bond documentation, including an opinion from legal counsel experienced in bond matters that the drinking water project obligation is a valid and binding obligation of the applicant (see R309-700-~~[14]~~13(3)), must be submitted to the Assistant Attorney General for preliminary approval and the applicant shall publish a Notice of Intent to issue bonds in a newspaper of general circulation pursuant to the Utah Code, Section 11-14-21. For financial assistance mechanisms when the applicant's bond is not purchased by the Board, the applicant shall submit a true and correct copy of an opinion from legal counsel experienced in bond matters that the drinking water project obligation is a valid and binding obligation of the applicant.

(10) Hardship Grant - The Board or its designee executes a grant agreement setting forth the terms and conditions of the grant.

(11) As authorized in 19-4-106(3) of the Utah Code, the Executive Secretary may review plans, specifications, and other data pertinent to proposed or expanded water supply systems to insure proper design and construction, as specified in rule R309-500-4 General. Construction of a public drinking water project shall not begin until complete plans and specifications have been approved in writing by the Executive Secretary. ~~[The Board, through its Executive Secretary, shall issue a Plan Approval for plans and specifications.]~~

(12) If a project is designated to be financed by the Board through a loan or an interest buy-down agreement as described in R309-700-~~[11]~~10(2) to cover any part of project costs an account supervised by the applicant and the Board will be established by the applicant to assure that loan funds are used only for qualified project costs. If financial assistance for the project is provided by the Board in the form of a credit enhancement or interest buy-down agreement as described in R309-700-~~[11]~~10(1) all project funds will be maintained in a separate account and a quarterly report of project expenditures will be provided to the Board.

(13) If a revenue bond is to be used to secure a loan, a User Charge Ordinance must be submitted to the Board for review and approval to insure adequate provisions for debt retirement and/or operation and maintenance. If a general obligation bond is to be used to secure a loan, a User Charge Ordinance must be submitted to the Board for review and approval to insure the system will have adequate resources to provide acceptable service.

(14) A plan of operation for the completed project, including staffing with an appropriately certified (in accordance with R309-300) operator, staff training, and procedures to assure efficient start-up, operation and maintenance of the project, must be

submitted by the applicant and approved by the Board, its Executive Secretary or other designee.

(15) The applicant's contract with its engineer must be submitted to the Board for review to determine that there will be adequate engineering involvement, including project supervision and inspection, to successfully complete the project.

(16) The applicant's attorney must provide an opinion to the Board regarding legal incorporation of the applicant, valid legal title to rights-of-way and the project site, and adequacy of bidding and contract documents.

(17) CREDIT ENHANCEMENT AGREEMENT AND INTEREST BUY-DOWN AGREEMENT ONLY - The Board executes the credit enhancement agreement or interest buy-down agreement setting forth the terms and conditions of the security or other forms of assistance provided by the agreement and notifies the applicant to sell the bonds (See R309-700-9 and -10 [~~and -11~~]).

(18) CREDIT ENHANCEMENT AGREEMENT AND INTEREST BUY-DOWN AGREEMENT ONLY - The applicant sells the bonds and notifies the Board of the terms of sale. If a credit enhancement agreement is utilized, the bonds shall contain the legend required by Section 73-10c-6(3)(d), Utah Code. If an interest buy-down agreement is utilized, the bonds shall bear a legend which makes reference to the interest buy-down agreement and states that such agreement does not constitute a pledge of or charge against the general revenues, credit or taxing powers of the state and that the holder of any such bond may look only to the applicant and the funds and revenues pledged by the applicant for the payment of interest and principal on the bonds.

(19) The applicant opens bids for the project.

(20) LOAN ONLY - The Board approves purchase of the bonds and executes the loan contract (see R309-700-4(24)).

(21) LOAN ONLY - The loan closing is conducted.

(22) A preconstruction conference shall be held.

(23) The applicant issues a written notice to proceed to the contractor.

(24) The applicant must have adopted a Water [Management and] Conservation Plan prior to executing the loan agreement.

R309-700-5. Loan, Credit Enhancement, Interest Buy-Down, and Hardship Grant Consideration Policy.

(1) Board Priority Determination. In determining the priority for financial assistance the Board shall consider:

(a) The ability of the applicant to obtain funds for the drinking water project from other sources or to finance such project from its own resources;

(b) The ability of the applicant to repay the loan or other project obligations;

(c) Whether a good faith effort to secure all or part of the services needed from the private sector through privatization has been made; and

(d) Whether the drinking water project:

(i) meets a critical local or state need;

- (ii) is cost effective;
- (iii) will protect against present or potential hazards;
- (iv) is needed to comply with the minimum standards of the Federal Safe Drinking Water Act, 42 USC, 300f, et. seq. or similar or successor statute;
- (v) is needed to comply with the minimum standards of the Utah Safe Drinking Water Act, Title 19, Chapter 4 or similar or successor statute.
- (vi) is needed as a result of an Emergency.
- (e) The overall financial impact of the proposed project on the citizens of the community, including direct and overlapping indebtedness, tax levies, user charges, impact or connection fees, special assessments, etc., resulting from the proposed project, and anticipated operation and maintenance costs versus the median income of the community;
- (f) Consistency with other funding source commitments which may have been obtained for the project;
- (g) The point total from an evaluation of the criteria listed in Table 1;

TABLE 1

NEED FOR PROJECT

	POINTS
1. PUBLIC HEALTH AND WELFARE (SELECT ONE)	
A. There is evidence that waterborne illnesses have occurred	15
B. There are reports of illnesses which may be waterborne	10
C. No reports of waterborne illness, but high potential for such exists	5
D. No reports of possible waterborne illness and low potential for such exists	0
2. WATER QUALITY RECORD (SELECT ONE)	
A. Primary Maximum Contaminant Level (MCL) violation more than 6 times in preceding 12 months	15
B. In the past 12 months violated a primary MCL 4 to 6 times	12
C. In the past 12 months violated a primary MCL 2 to 3 times or exceeded the Secondary Drinking Water Standards by double	9
D. In the past 12 months violated MCL 1 time	6
E. Violation of the Secondary Drinking Water Standards	5
F. Does not meet all applicable MCL goals	3
G. Meets all MCLs and MCL goals	0
3. VERIFICATION OF POTENTIAL SHORTCOMINGS (SELECT ONE)	

A. Has had sanitary survey within the last year	5
B. Has had sanitary survey within the last five years	3
C. Has not had sanitary survey within last five years	0
4. GENERAL CONDITIONS OF EXISTING FACILITIES (SELECT ALL THOSE WHICH ARE TRUE AND PROJECT WILL REMEDY)	
A. The necessary water treatment facilities do not exist, not functioning, functioning but do not meet the requirements of the Utah Public Drinking Water Rules (UPDWR)	10
B. Sources are not developed or protected according to UPDWR	10
C. Source capacity is not adequate to meet current demands and system occasionally goes dry or suffers from low pressures	10
D. Significant areas within distribution system have inadequate fire protection	8
E. Existing storage tanks leak excessively or are structurally flawed	5
F. Pipe leak repair rate is greater than 4 leaks per 100 connections per year	2
G. Existing facilities are generally sound and meeting existing needs	0
5. ABILITY TO MEET FUTURE DEMANDS (Select One)	
A. Facilities have inadequate capacity and cannot reliably meet current demands	10
B. Facilities will become inadequate within the next three years	5
C. Facilities will become inadequate within the next five to ten years	3
6. OVERALL URGENCY (Select One)	
A. System is generally out of water. There is no fire protection or water for flushing toilets	10
B. System delivers water which cannot be rendered safe by boiling	10
C. System delivers water which can be rendered safe by boiling	8
D. System is occasionally out of water	5
E. Situation should be corrected, but is not urgent	0
TOTAL POSSIBLE POINTS FOR NEED FOR PROJECT	100

(h) Other criteria that the Board may deem appropriate.

(2) Drinking Water Board Financial Assistance Determination.

The amount and type of financial assistance offered will be based on the following considerations:

(a) An evaluation based upon the criteria in Table[s] 2 [~~and 3~~] of the applicant's financial condition, the project's impact on the community, and the applicant's commitment to operating a responsible water system.

The interest rate to be charged by the Board for its financial assistance will be computed using the number of points assigned to the project from Table 2 to reduce, in a manner determined by Board resolution from time to time, the most recent Revenue Bond Buyer Index (RBBI) as published by the Bond Buyer's Guide. The interest rate so calculated will be assigned to the financial assistance. To encourage rapid repayment of a loan the Board will increase the interest rate 0.02 per cent (0.02%) for each year the repayment period exceeds five (5.0) years.

For hardship grant consideration, exclusive of planning and design grants or loans described in Sections R309-700-6, 7 and 8, the estimated annual cost of drinking water service for the average residential user should exceed 1.75% of the median adjusted gross household income from the most recent available State Tax Commission records or the local median adjusted gross income (MAGI) is less than or equal to eighty-percent (80.0%) of the State's median adjusted gross income. When considering funding for planning and design grants and loans described in Sections R309-700-6, 7 and 8, the Board will consider whether or not the applicant's local MAGI meets the above criteria for hardship grant funding. If, in the judgment of the Board, the State Tax Commission data is insufficient, the Board may accept other measurements of the water users' income (i.e. local income survey or questionnaire when there is a significant difference between the number of service connections for a system and the number of tax filings for a given zip code or city). The Board will also consider the applicant's level of contribution to the project.

TABLE 2

FINANCIAL CONSIDERATIONS

	POINTS
1. COST EFFECTIVENESS RATIO (SELECT ONE)	
A. Project cost \$0 to \$500 per benefitting connection	13
B. \$501 to \$1,500	11
C. \$1,501 to \$2,000	9
D. \$2,001 to \$3,000	6
E. \$3,001 to \$5,000	3
F. \$5,001 to \$10,000	1
G. Over \$10,000	0

~~[2. PRIVATE SECTOR OR OTHER FUNDING, BUT NOT OWN CONTRIBUTION (SELECT ONE)]~~

A. A reasonable search for it has been made without success	10
B. Will provide greater than 50% of project cost	10
C. Will provide 25 to 49% of project cost	8
D. Will provide 10 to 24% of project cost	5
E. Will provide 1 to 9% of project cost	3
F. Has not been investigated	0

[3] 2. CURRENT LOCAL MEDIAN ADJUSTED GROSS INCOME (AGI) (SELECT ONE)

A. Less than 70% of State Median AGI	[15] <u>16</u>
B. 71 to [90] <u>80</u> % of State Median AGI	[12] <u>14</u>
<u>C. 81 to 95% of State Median AGI</u>	<u>12</u>
[E] <u>D. [91] <u>96</u> to [115] <u>110</u>% of State Median AGI</u>	<u>9</u>
[D] <u>E. [116] <u>111</u> to [135] <u>130</u>% of State Median AGI</u>	<u>6</u>
[E] <u>F. [136] <u>131</u> to [160] <u>150</u>% of State Median AGI</u>	<u>3</u>
[F] <u>G. Greater than [161] <u>150</u>% of State Median AGI</u>	<u>0</u>

[4] 3. APPLICANT'S COMMITMENT TO PROJECT
PROJECT FUNDING CONTRIBUTED BY APPLICANT (SELECT ONE)

A. Greater than 25% of project funds	[12] <u>15</u>
B. [10] <u>15</u> to 25% of project funds	[9] <u>12</u>
<u>C. 10 to 15% of project funds</u>	<u>9</u>
[E] <u>D. 5 to 9% of project funds</u>	<u>6</u>
[D] <u>E. 2 to 4% of project funds</u>	<u>3</u>
[E] <u>F. Less than 2% of project funds</u>	<u>0</u>

4 and 5. ABILITY TO REPAY LOAN:

[5A] 4. WATER BILL (INCLUDING TAXES) AFTER PROJECT IS
BUILT RELATIVE TO LOCAL MEDIAN ADJUSTED GROSS
INCOME (SELECT ONE)

[a] <u>A. Greater than 2.50% of local median AGI</u>	<u>15</u>
[b] <u>B. 2.01 to 2.50% of local median AGI</u>	<u>11</u>
[e] <u>C. 1.51 to 2.00% of local median AGI</u>	<u>7</u>
[d] <u>D. 1.01 to 1.50% of local median AGI</u>	<u>3</u>
[e] <u>E. 0 to 1.00% of local median AGI</u>	<u>0</u>

5 [B] 5. TOTAL DEBT LOAD (PRINCIPAL ONLY) OF APPLICANT
AFTER PROJECT IS CONSTRUCTED (INCLUDING WATER
AND SEWER DEBT, LIGHTING DEBT, SCHOOL DEBT,
ETC.) (SELECT ONE)

[a] <u>A. Greater than 12% of fair market value</u>	<u>15</u>
[b] <u>B. 8.1 to 12% of fair market value</u>	<u>12</u>
[e] <u>C. 4.1 to 8.0% of fair market value</u>	<u>9</u>
[d] <u>D. 2.1 to 4.0% of fair market value</u>	<u>6</u>
[e] <u>E. 1.0 to 2.0% of fair market value</u>	<u>3</u>
[f] <u>F. Less than 1% of fair market value</u>	<u>0</u>

6. SPECIAL INCENTIVES
Applicant:

~~[A. is using a master plan which includes
water management and conservation 4]~~
[B] A. has a replacement fund receiving annual
deposits of 5% of drinking water budget [4] 5
[C] B. is creating or enhancing a regionalization
Plan * [4] 16
[D] C. has a rate structure encouraging conservation [4] 5
~~[E. has received a Quality Community designation 4]~~

TOTAL POSSIBLE POINTS FOR FINANCIAL NEED 100

*Note: If the possibility of regionalization does not exist or if other factors, such as neighboring communities refuse to regionalize with the applicant, then the total possible points will be reduced to 84 points for calculation of the interest rate.

- (b) Optimizing return on the security account while still allowing the project to proceed.
- (c) Local political and economic conditions.
- (d) Cost effectiveness evaluation of financing alternatives.
- (e) Availability of funds in the security account.
- (f) Environmental need.
- (g) Other criteria the Board may deem appropriate.

R309-700-6. Planning Grant.

(1) A Planning Grant can only be made to a political subdivision with a population less than 10,000 people demonstrating an urgent need to evaluate its drinking water system's technical, financial and managerial capacity, and lacks the financial means to readily accomplish such an evaluation. A Planning Grant will be limited to ~~[\$10,000 or]~~ the estimated cost of the planning effort ~~[, whichever is less unless otherwise approved by the Board].~~

(2) Qualifying for a Planning Grant will be based on the criteria listed in R309-700-5(2)(a).

(3) The applicant must demonstrate that all funds necessary to complete project planning will be available prior to commencing the planning effort. The Planning Grant will be deposited with these other funds into a supervised escrow account at the time the grant agreement between the applicant and the Board is executed or the Board may choose to provide the funds in incremental disbursements as the applicant incurs expenses on the project.

~~[-3-]~~ (4) Failure on the part of the recipient of a Planning Grant to implement the findings of the plan may prejudice any future applications for drinking water project funding.

~~[-4-]~~ (5) The recipient of a Planning Grant must first receive written approval for any cost increases or changes to the scope of work.

~~[-5-]~~ (6) The Planning Grant recipient must provide a copy of the planning project results to the Division. The planning effort

shall conform to rules R309.

R309-700-7. Planning Loan.

(1) A Planning Loan can only be made to a political subdivision which demonstrates a financial hardship preventing the completion of project planning.

(2) A Planning Loan is made to a political subdivision with the intent to provide interim financial assistance for project planning until the long-term project financing can be secured. The Planning Loan must be repaid to the Board unless the payment obligation is waived by the Board.

(3) The applicant must demonstrate that all funds necessary to complete project planning will be available prior to commencing the planning effort. The Planning Loan will be deposited with these other funds into a supervised escrow account at the time the loan agreement between the applicant and the Board is executed.

(4) The recipient of a Planning Loan must first receive written approval for any cost increases or changes to the scope of work.

(5) A copy of the document(s) prepared by means of the planning loan shall be submitted to the Division.

R309-700-8. Design Grant or Loan.

(1) A Design Grant or Loan can only be made to a political subdivision demonstrating financial hardship preventing completion of project design. For purposes of this Section R309-700-8, project design means engineering plans and specifications, construction contracts, and associated work.

(2) A Design Grant or Loan is made to a political subdivision with the intent to provide interim financial assistance for the completion of the project design until the long-term project financing can be secured. The Design Grant or Loan must be repaid to the Board unless the payment obligation is waived by the Board as authorized by 73-10c-4(3)(b).

(3) The applicant must demonstrate that all funds necessary to complete the project design will be available prior to commencing the design effort. The Design Grant or Loan will be deposited with these other funds into a supervised escrow account at the time the grant or loan agreement between the applicant and the Board is executed.

(4) The recipient of a Design Grant or Loan must first receive written approval from the Board before incurring any cost increases or changes to the scope of work.

R309-700-9. Credit Enhancement Agreements.

The Board will determine whether a project may receive all or part of a loan, credit enhancement agreement or interest buy-down agreement subject to the criteria in R309-700-5. To provide security for project obligations the Board may agree to purchase project obligations of applicants or make loans to the applicants to prevent defaults in payments on project obligations. The Board may also consider making loans to the applicants to pay the cost of obtaining letters of credit from various financial

institutions, municipal bond insurance, or other forms of insurance or security for project obligations. In addition, the Board may consider other methods and assistance to applicants to properly enhance the marketability of or security for project obligations.

R309-700-10. Interest Buy-Down Agreements.

Interest buy-down agreements may consist of:

(1) A financing agreement between the Board and applicant whereby a specified sum is loaned or granted to the applicant to be placed in a trust account. The trust account shall be used exclusively to reduce the cost of financing for the project.

(2) A financing agreement between the Board and the applicant whereby the proceeds of bonds purchased by the Board is combined with proceeds from publicly issued bonds to finance the project. The rate of interest on bonds purchased by the Board may carry an interest rate lower than the interest rate on the publicly issued bonds, which when blended together will provide a reduced annual debt service for the project.

(3) Any other legal method of financing which reduces the annual payment amount on locally issued bonds. After credit enhancement agreements have been evaluated by the Board and it is determined that this method is not feasible or additional assistance is required, interest buy-down agreements and loans may be considered. Once the level of financial assistance required to make the project financially feasible is determined, a cost effective evaluation of interest buy-down options and loans must be completed. The financing alternative chosen should be the one most economically advantageous for the state and the applicant.

R309-700-11. Loans.

The Board may make loans to finance all or part of a drinking water project only after credit enhancement agreements and interest buy-down agreements have been evaluated and found either unavailable or unreasonably expensive. The financing alternative chosen should be the one most economically advantageous for the state and its political subdivisions.

R309-700-12. Project Authorization (Reference R309-700-4(4)).

A project may be "Authorized" for a loan, credit enhancement agreement, interest buy-down agreement, or hardship grant in writing by the Board following submission and favorable review of an application form, engineering report (if required), financial capability assessment and staff feasibility report. The engineering report shall include a cost effectiveness analysis of feasible project alternatives capable of meeting State and Federal drinking water requirements. It shall include consideration of monetary costs including the present worth or equivalent annual value of all capital costs, operation, maintenance, and replacement costs. The alternative selected must be the most economical means of meeting applicable State and Federal drinking water requirements over the useful life of the facility while recognizing environmental and other nonmonetary considerations.

If it is anticipated that a project will be a candidate for financial assistance from the Board, the Staff should be contacted, and the plan of study for the engineering report (if required) should be approved before the planning is initiated.

Once the application form, plan of study, engineering report, and financial capability assessment are reviewed, the staff will prepare a project feasibility report for the Board's consideration in Authorizing a project. The project feasibility report will include a detailed evaluation of the project with regard to the Board's funding priority criteria, and will contain recommendations for the type of financial assistance which may be extended (i.e., for a loan, credit enhancement agreement, interest buy-down agreement, or hardship grant).

Project Authorization is not a contractual commitment and is conditioned upon the availability of funds at the time of loan closing or signing of the credit enhancement, interest buy-down, or grant agreement and upon adherence to the project schedule approved at that time. If the project is not proceeding according to the project schedule the Board may withdraw the project Authorization so that projects which are ready to proceed can obtain necessary funding. Extensions to the project schedule may be considered by the Board, but any extension requested must be fully justified.

R309-700-13. Financial Evaluations.

(1) The Board considers it a proper function to assist and give direction to project applicants in obtaining funding from such State, Federal or private financing sources as may be available to achieve the most effective utilization of resources in meeting the needs of the State. This may also include joint financing arrangements with several funding agencies to complete a total project.

(2) Hardship Grants will be evidenced by a grant agreement.

(3) In providing any form of financial assistance in the form of a loan, the Board may purchase bonds of the applicant only if the bonds are accompanied by a legal opinion of recognized municipal bond counsel to the effect that the bonds are legal and binding under applicable Utah law (including, if applicable, the Utah Municipal Bond Act). For bonds of \$150,000 or less the Board will not require this opinion.

(a) In providing any form of financial assistance in the form of a loan, the Board may purchase either a taxable or non-taxable bonds; provided that it shall be the general preference of the Board to purchase bonds issued by the applicant only if the bonds are tax exempt and are accompanied by a legal opinion of recognized municipal bond counsel to the effect that interest on the bonds is exempt from federal income taxation. Such an opinion must be obtained by the applicant in the following situations:

(i) Bonds which are issued to finance a project which will also be financed in part at any time by the proceeds of other bonds which are exempt from federal income taxation.

(ii) Bonds which are not subject to the arbitrage rebate provisions of Section 148 of the Internal Revenue Code of 1986 (or

successor provision of similar intent), including, without limitation, bonds covered by the "small governmental units" exemption contained in Section 148(f)(4)(c) of the Internal Revenue Code of 1986 (or any successor provision of similar intent) and bonds which are not subject to arbitrage rebate because the gross proceeds from the loan will be completely expended within six months after the issuance of such bonds.

(b) In any other situations, the Board may purchase taxable bonds if it determines, after evaluating all relevant circumstances including the applicant's ability to pay, that the purchase of the taxable bonds is in the best interests of the State and applicant.

(c) If more than 25 percent of the project is to serve industry, bond counsel must evaluate the loan to ensure the tax exempt status of the loan fund.

(d) Revenue bonds purchased by the Board shall be secured by a pledge of water system revenues, and it is the general policy of the Board that the pledge of water revenues for the payment of debt service (principal and/or interest) on a particular revenue bond be on a parity with the pledge of those water revenues as security for the debt service payments on all other bonds or other forms of indebtedness which are secured by the water revenues.

(4) The Board will consider the financial feasibility and cost effectiveness evaluation of the project in detail. The financial capability assessment must be completed as a basis for the review. The Board will generally use these reports to determine whether a project will be Authorized to receive a loan, credit enhancement agreement, interest buy-down agreement, or hardship grant (Reference R309-700-9, -10 and -11). If a project is Authorized to receive a loan, the Board will establish the portion of the construction cost to be included in the loan and will set the terms for the loan. The Board will require the applicants to repay the loan as rapidly as is reasonably consistent with the financial capability of the applicant. It is the Board's intent to avoid repayment schedules which would exceed the design life of the project facilities.

(5) Normal engineering and investigation costs incurred by the Department of Environmental Quality or Board during preliminary project investigation and prior to Board Authorization will not become a charge to the applicant if the project is found infeasible, denied by the Board, or if the applicant withdraws the Application prior to the Board's Authorization. If the credit enhancement agreement or interest buy-down agreement does not involve a loan of funds from the Board, then administrative costs will not be charged to the project. However, if the project is Authorized to receive a loan or grant of funds from the Board, all costs from the beginning of the project will be charged to the project and paid by the applicant as a part of the total project cost. If the applicant decides not to build the project after the Board has Authorized the project, all costs accruing after the Authorization will be reimbursed by the applicant to the Board.

(6) The Board shall determine the date on which the scheduled payments of principal and interest will be made. In

fixing this date, all possible contingencies shall be considered, and the Board may allow the system one year of actual use of the project facilities before the first repayment of principal is required.

(7) The applicant shall furnish the Board with acceptable evidence that the applicant is capable of paying its share of the construction costs during the construction period.

(8) LOANS AND INTEREST BUY-DOWN AGREEMENTS ONLY - The Board may require, as part of the loan or interest buy-down agreement, that any local funds which are to be used in financing the project be committed to construction prior to or concurrent with the committal of State funds.

(9) The Board will not forgive the applicant of any payment after the payment is due.

(10) The Board will require a debt service reserve account be established by the applicant at or before the loan is closed. Deposits to that account shall be made at least annually in the amount of one-tenth of the annual payment on the bond(s) purchased by the Board and shall continue until the total amount in the debt service reserve fund is equal to the annual payment. The debt service reserve account shall be continued until the bond is retired. Annual reports/statements will be required. Failure to maintain the reserve account will constitute a technical default on the bond(s) and may result in penalties being assessed. Annual reports/statements will be required.

(11) The Board will require a capital facilities replacement reserve account be established at or before the loan is closed. Deposits to that account shall be made at least annually in the amount of five percent (5%) of the applicant's annual drinking water system budget, including depreciation, unless otherwise specified by the Board at the time of loan authorization, until the loan is repaid. This fund shall not serve as security for the payment of principal or interest on the loan. The applicant shall adopt such resolutions as necessary to limit the use of the fund to construct capital facilities for its water system and to notify the Board prior to making any disbursements from the fund so the Board can confirm that any expenditure is for an acceptable purpose. The applicant will not need the consent of the Board prior to making any expenditure from the fund. Failure to maintain the reserve account will constitute a technical default on the bond(s) and may result in penalties being assessed. Annual reports/statements will be required.

(12) If the Board is to purchase a revenue bond, the Board will require that the applicant's water rates be established such that sufficient net revenue will be raised to provide at least 125% or such other amount as the Board may determine of the total annual debt service.

R309-700-14. Committal of Funds and Approval of Agreements.

After the Board has issued a Plan Approval and received the appropriate legal documents and other items required by Rule R309-700, the Board will determine whether the project loan, interest buy-down, credit enhancement, and/or grant meets the conditions of

its authorization. If so, the Board will give its final approval. The Executive Secretary or designee may then execute the financial assistance agreement if no aspects of the project have changed significantly since the Board's authorization of the loan or credit enhancement, provided all conditions imposed by the Board have been met. If significant changes have occurred the Board will then review the project and, if satisfied, the Board will then commit funds, approve the signing of the contract, credit enhancement agreement, interest buy-down agreement, or grant agreement, and instruct the Executive Secretary to submit a copy of the signed contract or agreement to the Division of Finance.

R309-700-15. Construction.

The Division of Drinking Water staff may conduct inspections and will report to the applicant and applicant's engineer. Contract change orders must be properly negotiated with the contractor and approved in writing. Change orders in excess of \$10,000 must receive prior written approval by the Executive Secretary before execution. The applicant shall notify the Executive Secretary when the project is near completion and request a final inspection. When the project is complete to the satisfaction of the applicant, the applicant's engineer, and the Executive Secretary, written approval will be issued by the Executive Secretary in accordance with R309-500-9 to commence using the project facilities.

KEY: loans, interest buy-downs, credit enhancements, hardship grants

Date of Enactment or Last Substantive Amendment: August 6, 2004

Notice of Continuation: April 2, 2007

Authorizing, and Implemented or Interpreted Law: 19-4-104; 73-10c

Presented to the Drinking Water Board for consideration on September 14, 2007.

**Proposed Revisions to Rule
R309-705
Federal SRF Loan Program**

Staff has reviewed Rule R309-705 and has marked up the Rule with recommended revisions. The full text of the rule with recommended revisions is attached. Strikethrough in brackets [-] means delete and underline means add. The Board gave staff some suggested revisions and instructed staff to make a comprehensive review of the rule and return to the Board with draft revisions. The suggested revisions add the changes made by the Legislature to Title 73, Chapter 10c of the Utah Code, clarify some of the rule language, make it more consistent with Rule R309-700, make minor corrections, and modify the point system used in determining the terms of proposed funding as requested by the Board.

STAFF RECOMMENDATION:

Review the proposed changes to Rule R309-705 and if they reflect what is wanted, authorize staff to initiate the rule-making process for the rule.

R309. Environmental Quality, Drinking Water.

R309-705. Financial Assistance: Federal Drinking Water [Project] State Revolving Fund (SRF) Loan Program.

R309-705-1. Purpose.

The purpose of this rule is to establish criteria for financial assistance to public drinking water system in accordance with a federal grant established under 42 U.S.C. 300j et seq., federal Safe Drinking Water Act (SDWA).

R309-705-2. Statutory Authority.

The authority for the Department of Environmental Quality acting through the Drinking Water Board to issue financial assistance for drinking water projects from a federal capitalization grant is provided in 42 U.S.C. 300j et seq., federal Safe Drinking Water Act, and Title 73, Chapter 10c, Utah Code.

R309-705-3. Definitions.

Definitions for general terms used in this rule are given in R309-110. Definitions for terms specific to this rule are given below.

"Board" means the Drinking Water Board.

"Drinking Water Project" means any work or facility that is necessary or desirable to provide water for human consumption and other domestic uses. Its scope includes collection, treatment, storage, and distribution facilities; and also includes studies, planning, education activities, and design work that will promote protecting the public from waterborne health risks.

"Project Costs" include the cost of acquiring and constructing any project including, without limitation: the cost of acquisition and construction of any facility or any modification, improvement, or extension of such facility; any cost incident to the acquisition of any necessary property, easement or right of way, except property condemnation cost, which are not eligible costs; engineering or architectural fees, legal fees, fiscal agents' and financial advisors' fees; any cost incurred for any preliminary planning to determine the economic and engineering feasibility of a proposed project; costs of economic investigations and studies, surveys, preparation of designs, plans, working drawings, specifications and the inspection and supervision of the construction of any facility; Hardship Grant Assessments, fees and interest accruing on loans made under this program during acquisition and construction of the project; costs for studies, planning, education activities, and design work that will promote protecting the public from waterborne health risks; and any other cost incurred by the Board or the Department of Environmental Quality, in connection with the issuance of obligation to evidence any loan made to it under the law.

"Disadvantaged Communities" are defined as those communities located in an area which has a median adjusted gross income less than or equal to 80% of the State's median adjusted gross income, as determined by the Utah State Tax commission from federal

individual income tax returns excluding zero exemption returns, or where the estimated annual cost, including loan repayment costs, of drinking water service for the average residential user exceeds 1.75% of the median adjusted gross income. If, in the judgment of the Board, the State Tax Commission data is insufficient the Board may accept other measurements of the water users' income (i.e. local income survey or questionnaire when there is a significant difference between the number of service connections for a system and the number of tax filing for a given zip code or city).

"Drinking Water Project Obligation" means any bond, note or other obligation issued to finance all or part of the cost of acquiring, constructing, expanding, upgrading or improving a drinking water project, including, but not limited to, preliminary planning, studies, surveys, engineering or architectural fees, and preparation of plans and specifications.

"Credit Enhancement Agreement" means any agreement entered into between the Board, on behalf of the State, and an eligible water system for the purpose of providing methods and assistance to eligible water systems to improve the security for and marketability of drinking water project obligations.

"Eligible Water System" means any community drinking water system, either privately or publicly owned; and nonprofit noncommunity water systems.

"Interest Buy-Down Agreement" means any agreement entered into between the Board, on behalf of the State, and an eligible water system, for the purpose of reducing the cost of financing incurred by an eligible water system on bonds issued by the subdivision for project costs.

"Financial Assistance" means a project loan, credit enhancement agreement, interest buy-down agreement, or technical assistance.

"Hardship Grant Assessment" means an assessment applied to loan recipients. The assessment shall be calculated as a percentage of principal. Hardship grant assessment funds shall be subject to the requirements of UAC R309-700 for hardship grants.

"Negative Interest" means a loan with an interest rate at less than zero percent. The repayment schedule for loans having a negative interest rate will be prepared by the Drinking Water Board.

"Principal Forgiveness" means a loan wherein a portion of the loan amount is "forgiven" upon closing the loan. The terms for principal forgiveness will be as directed by section 4 of this rule and by the Drinking Water Board.

"Interest" means an assessment applied to loan recipients. The assessment shall be calculated as a percentage of principal.

"Emergency" means an unexpected, serious occurrence of situation requiring urgent or immediate action. With regard to a water system this would be a situation resulting from the failure of equipment or other infrastructure, or contamination of the water supply, which threatens the health and / or safety of the public / water users.

"Technical Assistance" means financial assistance provided

for a feasibility study or master plan, to identify and / or correct system deficiencies, to help a water system overcome other technical problems. The system receiving said technical assistance may or may not be required to repay the funds received.

If repayment is required, the Board will establish the terms of repayment.

"SRF Technical Assistance Fund" means a fund (or account) that will be established for the express purpose of providing "Technical Assistance" to eligible drinking water systems.

R309-705-4. Financial Assistance Methods.

(1) Eligible Activities of the SRF.

Funds within the SRF may be used for loans and other authorized forms of financial assistance. Funds may be used for the construction of publicly or privately owned works or facilities, or any work that is an eligible project cost as defined by 73-10c-2 of the Utah Code or as allowed by 42 U.S.C.A. 300f et seq. Those costs incurred subsequent to the submission of a funding application to the Board and prior to the execution of a financial assistance agreement and which meet the above criteria are eligible for reimbursement from the proceeds of the financial assistance agreement.

(2) Types of Financial Assistance Available for Eligible Water Systems.

(a) Loans.

To qualify for "negative interest" or "principal forgiveness", the system must qualify as a "disadvantaged community". Upon application, the Board will make a case by case determination whether the system is a "disadvantaged community". To be eligible to be considered as a disadvantaged community, the system must be located in a service area or zip code area which has a median adjusted gross income which is less than or equal to 80% of the State's median adjusted gross income, as determined by the Utah State Tax Commission from federal individual income tax returns excluding zero exemption returns. Additionally, the Board will consider the type of community served by the system, the economic condition of the community, the population characteristics of those served by the system, factors relating to costs, charges and operation of the water system, and other such information as the Board determines relevant to making the decision to recognize the system as a "disadvantaged community".

(i) Hardship Grant Assessment.

The assessment will be calculated based on the procedures and formulas shown in section 6 of this rule.

(ii) Repayment.

Annual repayments of principal, interest, fees and/or Hardship Grant Assessment generally commence not later than one year after project completion. Project completion shall be defined as the date the funded project is capable of operation and a notice of "beneficial occupancy" is given to the general contractor. Where a project has been phased or segmented, the repayment requirement applies to the completion of individual

phases or segments.

The loan must be fully amortized not later than 20 years after project completion or not later than 30 years after project completion if the community served by the water system is determined to be a disadvantaged community. The yearly amount of the principal repayment is set at the discretion of the Board.

(iii) Principal Forgiveness.

Eligible water systems meeting the definition of "disadvantaged community" may qualify for financial assistance in the form of forgiveness of the principal loan amount. Terms for principal forgiveness will be determined by Board resolution.

Eligible applicants for "principal forgiveness" financial assistance will be considered by the Board on a case-by-case basis. The Board will consider the type of community served by the system, the economic condition of the community, the population characteristics of those served by the system, factors relating to costs, charges and operation of the water system, and such other information as the Board determines relevant to making the decision to recognize the system as a disadvantaged community.

(iv) Negative Interest Rate.

Eligible water systems meeting the definition of "disadvantaged community" may qualify for financial assistance in the form of a loan with a negative interest rate, as determined by Board resolution.

Eligible applicants for "negative interest" financial assistance will be considered by the Board on a case-by-case basis. The Board will consider the type of community served by the system, the economic condition of the community, the population characteristics of those served by the system, factors relating to costs, charges and operation of the water system, and such other information as the Board determines relevant to making the decision to recognize the system as a disadvantaged community.

(v) Dedicated Repayment Source and Security.

Loan recipients must establish one or more dedicated sources of revenue for repayment of the loan. As a condition of financial assistance, the applicant must demonstrate a revenue source and security, as required by the Board.

(b) Refinancing Existing Debt Obligations.

The Board may use funds from the SRF to buy or refinance municipal, inter-municipal or interstate agencies, where the initial debt was incurred and construction started after July 1, 1993. Refinanced projects must comply with the requirements imposed by the Safe Drinking Water Act (SDWA) as though they were projects receiving initial financing from the SRF.

(c) Credit Enhancement Agreements and Interest Buy-Down Agreements.

The Board will determine whether a project's funding may receive all or part of a loan, credit enhancement agreement or interest buy-down agreement. To provide security for project obligations, the Board may agree to purchase project obligations of applicants, or make loans to the applicants. The Board may also consider making loans to the applicants to pay the cost of

obtaining letters of credit from various financial institutions, municipal bond insurance, or other forms of insurance or security for project obligations. The Board may also consider other methods of assistance to applicants to properly enhance the marketability of or security for project obligations.

Interest buy-down agreements may consist of any of the following:

(i) A financing agreement between the Board and applicant whereby a specified sum is loaned to the applicant. The loaned funds shall be placed in a trust account, which shall be used exclusively to reduce the cost of financing for the project.

(ii) A financing agreement between the Board and the applicant whereby the proceeds of bonds purchased by the Board is combined with proceeds from publicly issued bonds to finance the project. The rate of interest on bonds purchased by the Board may carry an interest rate lower than the interest rate on the publicly issued bonds, which when blended together will provide a reduced annual debt service for the project.

(iii) Any other legal method of financing which reduces the annual payment amount on publicly issued bonds. The financing alternative chosen should be the one most economically advantageous for the State and the applicant.

(d) Technical Assistance.

The Board may establish a fund (or account) into which the proceeds of an annual fee on loans will be placed. These funds will be used to finance technical assistance for eligible water systems.

This fund will provide low interest loans for technical assistance and any other eligible purpose as defined by Section 1452 of the Safe Drinking Water Act (SDWA) Amendments of 1996 to water systems that are eligible for Federal SRF loans. Repayment of these loans may be waived in whole or in part (grant funds) by the Board whether or not the borrower is disadvantaged.

(i) The Board may establish a fee to be assessed against loans authorized under the Federal SRF Loan Program. The revenue generated by this fee will be placed in a new fund called the "SRF Technical Assistance Fund".

(ii) The amount will be assessed as a percentage of the Principal Balance of the loan on an annual basis, the same as the annual interest and hardship grant assessment are assessed. The borrower will pay the fee annually when paying the principal and interest or hardship grant assessments.

(iii) The Board may set / change the amount of the fee from time to time as they determine meets the needs of the program.

(iv) This fee will be part of the "effective rate" calculated for the loan using Table 2, R309-705-6. This fee may be charged in lieu of or in addition to the interest rate or hardship grant assessment, but in no case will the total of the technical assistance fee, the interest rate, and hardship grant assessment exceed the "effective rate".

(v) The proceeds of the fund will be used as defined above or as modified by the Board in compliance with Section 1452 of the

federal SDWA Amendments of 1996.

(3) Ineligible Projects.

Projects which are ineligible for financial assistance include:

(a) Any project for a water system in significant non-compliance, as measured by a "not approved" (R309-150) rating, unless the project will resolve all outstanding issues causing the non-compliance.

(b) Any project where the Board determines that the applicant lacks the technical, managerial, or financial capability to achieve or maintain SDWA compliance, unless the Board determines that the financial assistance will allow or cause the system to maintain long-term capability to stay in compliance.

(c) Any project meant to finance the expansion of a drinking water system to supply or attract future population growth. Eligible projects, however, can be designed and funded at a level which will serve the population that a system expects to serve over the useful life of the facility.

(d) Projects which are specifically prohibited from eligibility by Federal guidelines. These include the following:

(i) Dams, or rehabilitation of dams;

(ii) Water rights, unless the water rights are owned by a system that is being purchased through consolidation as part of a capacity development strategy;

(iii) Reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are located on the property where the treatment facility is located;

(iv) Laboratory fees for monitoring;

(v) Operation and maintenance costs;

(vi) Projects needed mainly for fire protection.

R309-705-5. Application and Project Initiation Procedures.

The following procedures must normally be followed to obtain financial assistance from the Board:

(1) It is the responsibility of the applicant to obtain the necessary financial, legal and engineering counsel to prepare its application and an effective and appropriate financial assistance agreement.

(2) A completed application form and project engineering report listing the project alternatives considered and including a justification for the chosen alternative, a project financing plan including an evaluation of credit enhancement, interest buy-down and loan methods applicable to the project and financial capability assessment and a history of the applicant's compliance with the SDWA are submitted to the Board. Comments from other interested parties such as an association of governments will also be accepted. Those costs incurred subsequent to the submission of a completed funding application form to the Board and prior to the execution of a financial assistance agreement and which meet the criteria for project costs are eligible for reimbursement from the proceeds of the financial assistance agreement.

(3) An engineering~~[,]~~ and financial feasibility report and capacity development analysis~~[, and financial feasibility report is]~~ are prepared by Division staff for presentation to and consideration by the Board.

(4) The Board may authorize financial assistance for the project on the basis of the staff's feasibility report and designate whether a loan, credit enhancement agreement, interest buy-down agreement, or any combination thereof, is to be entered into, and approve the project schedule (see section 7 of this rule).

(5) The applicant must demonstrate public support for the project prior to bonding, as deemed acceptable by the Drinking Water Board. As a minimum, for a loan to be secured by a revenue bond, the Sponsor must mail notices to each water user in the Sponsor's service area informing them of a public hearing. In addition to the time and location of the public hearing the notice shall inform water users of the Sponsor's intent to issue a non-voted revenue bond to the Board, shall describe the face amount of the bond, the "effective rate", the repayment schedule and shall describe the impact of the project on the user including: user rates, impact and connection fees. The notice shall state that water users may respond to the Sponsor in writing or in the public hearing within ten days after the date of the notice. A copy of all written responses and a certified record of the public hearing shall be forwarded to the Division of Drinking Water.

(6) For financial assistance mechanisms where the applicant's bond is purchased by the Board, the project applicant's bond documentation must include an opinion from recognized bond counsel. Counsel must be experienced in bond matters, and must include an opinion that the drinking water project obligation is a valid and binding obligation of the applicant (see section 8 of this rule). The opinion must be submitted to the Assistant Attorney General for preliminary approval and the applicant shall publish a Notice of Intent to issue bonds in a newspaper of general circulation pursuant to 11-14-21 of the Utah Code. For financial assistance mechanisms when the applicant's bond is not purchased by the Board, the applicant shall submit a true and correct copy of an opinion from legal counsel, experienced in bond matters, that the drinking water project obligation is a valid and binding obligation of the applicant.

(7) As authorized in 19-4-106(3) of the Utah Code, the Executive Secretary may review plans, specifications, and other data pertinent to proposed or expanded water supply systems to insure proper design and construction, as specified in rule R309-500-4 General. Construction of a public drinking water project shall not begin until complete plans and specifications have been approved in writing by the Executive Secretary. ~~[The Board, through its Executive Secretary, shall issue, if warranted by conformance to Rules R309-500-560, a Plan Approval for plans and specifications.]~~

(8) If a project is designated to be financed by the Board

through a loan or an interest buy-down agreement, an account supervised by the applicant and the Board will be established by the applicant to assure that loan funds are used only for eligible project costs. If financial assistance for the project is provided by the Board in the form of a credit enhancement or interest buy-down agreement, all project funds will be maintained in a separate account, and a quarterly report of project expenditures will be provided to the Board.

Incremental disbursement bonds will be required. Cash draws will be based on a schedule that coincides with the rate at which project related costs are expected to be incurred for the project.

(9) If a revenue bond is to be used to secure a loan, a User Charge Ordinance, or water rate structure, must be submitted to the Board for review and approval to insure adequate provisions for debt retirement and/or operation and maintenance. If a general obligation bond is to be used to secure a loan, a User Charge Ordinance must be submitted to the Board for review and approval to insure the system will have adequate resources to provide acceptable service.

(10) A "Private Company" will be required to enter into a Loan Agreement with the Board. The loan agreement will establish the procedures for disbursement of loan proceeds and will set forth the security interests to be granted to the Board by the Applicant to secure the Applicant's repayment obligations.

(a) The Board may require any of the following forms of security interest or additional/other security interests to guarantee repayment of the loan: deed of trust interests in real property, security interests in equipment and water rights, and personal guarantees.

(b) The security requirements will be established after the Board's staff has reviewed and analyzed the Applicants financial condition.

(c) These requirements may vary from project to project at the discretion of the Board

(d) The Applicant will also be required to execute a Promissory Note in the face amount of the loan, payable to the order of the lender, and file a Utah Division of Corporations and Commercial Code Financing Statement, Form UCC-1.

(e) The Board may specify that loan proceeds be disbursed incrementally into an escrow account for expected construction costs, or it may authorize another acceptable disbursement procedure.

(11) The applicant's contract with its engineer must be submitted to the Board for review to determine if there will be adequate engineering involvement, including project supervision and inspection, to successfully complete the project.

(12) The applicant's attorney must provide an opinion to the Board regarding legal incorporation of the applicant, valid legal title to rights-of-way and the project site, validity and quantity of water rights, and adequacy of bidding and contract documents, as required.

(13) A position fidelity bond may be required by the Board

insuring the treasurer or other local staff handling the repayment funds and revenues produced by the applicant's system and payable to the State of Utah through the Drinking Water Board.

(14) CREDIT ENHANCEMENT AGREEMENT AND INTEREST BUY-DOWN AGREEMENT ONLY - The Board shall execute the credit enhancement agreement or interest buy-down agreement setting forth the terms and conditions of the security or other forms of assistance provided by the agreement and shall notify the applicant to sell the bonds.

(15) CREDIT ENHANCEMENT AGREEMENT AND INTEREST BUY-DOWN AGREEMENT ONLY - The applicant shall sell the bonds and shall notify the Board of the terms of sale. If a credit enhancement agreement is utilized, the bonds shall contain the legend required by 73-10c-6(3)(d) of the Utah Code. If an interest buy-down agreement is being utilized, the bonds shall bear a legend referring to the interest buy-down agreement and state that such agreement does not constitute a pledge of or charge against the general revenues, credit or taxing powers of the state and that the holder of any such bond may look only to the applicant and the funds and revenues pledged by the applicant for the payment of interest and principal on the bonds.

(16) The applicant shall open bids for the project.

(17) LOAN ONLY - The Board shall give final approval to purchase the bonds and execute the loan contract.

(18) LOAN ONLY - The closing of the loan is conducted.

(19) A preconstruction conference shall be held.

(20) The applicant shall issue a written notice to proceed to the contractor.

R309-705-6. Applicant Priority System and Selection of Terms of Assistance.

(1) Priority Determination.

The Board may, at its option, modify a project's priority rating based on the following considerations:

(a) The project plans, specifications, contract, financing, etc., of a lesser-rated project are ready for execution.

(b) Available funding.

(c) Acute health risk.

(d) Capacity Development (financial, technical, or managerial issues needing resolution to avoid EPA intervention).

(e) An Emergency.

The Board will utilize Table 1 to prioritize loan applicants as may be modified by (a), (b), (c), or (d) above.

TABLE 1
Priority System

Deficiency Description	Points Received
Source Quality/Quantity	
Health Risk (select one)	
A. There is evidence that waterborne illnesses have	

occurred.	25
B. There are reports of illnesses which may be waterborne.	20
C. High potential for waterborne illness exists.	15
D. Moderate potential for waterborne illness	8
E. No evidence of potential health risks	0

Compliance with SDWA (select all that apply)

A. Source has been determined to be under the influence of surface water.	25
B. System is often out of water due to inadequate source capacity.	20
-or-	
System capacity does not meet the requirements of UPDWR.	10
C. Source has a history of three or more confirmed microbiological violations within the last year.	10
D. Sources are not developed or protected according to UPDWR.	10
E. Source has confirmed MCL chemistry violations within the last year.	10
Total	100

Treatment

Deficiency Description	Points Available
Health Risk/Compliance with SDWA (select all that apply)	
A. Treatment system cannot consistently meet log removal requirements, turbidity standards, or other enforceable drinking water quality standards.	25
B. The required disinfection facilities are not installed, are inadequate, or fail to provide adequate water quality.	25
C. Treatment system is subject to impending failure, or has failed.	25
-or-	
Treatment system equipment does not meet demands of UPDWR including the lead and/or copper action levels.	20
-or-	
System equipment is projected to become inadequate without upgrades.	5
Total	80 75

Storage

Deficiency Description	Points Available
Health Risk / Compliance with SDWA (select all that apply)	
A. Storage system is subject to impending failure, or has failed.	25
-or-	
System is old, cannot be easily cleaned, or subject to contamination.	15
B. Storage system is inadequate for existing demands.	20

-or-

Storage system demand exceeds 90% of storage capacity.	10
C. Applicable contact time requirements cannot be met without an upgrade.	15
D. System suffers from low static pressures.	15
Total	75

Distribution

Deficiency Description	Points Available
Health Risk/Compliance with SDWA (select all that apply)	
A. Distribution system equipment is deteriorated or inadequate for existing demands.	20
-or-	
Distribution system is inadequate to meet 5 year projected demands.	10
B. Applicable disinfectant residual maintenance requirements are not met or high backflow contamination potential exists.	20
C. Project will replace pipe containing unsafe materials (lead, asbestos, etc).	15
D. Minimum dynamic pressure requirements are not met.	10
E. System experiences a heavy leak rate in the distribution lines.	10
Total	75

Emergencies

Upon the Board finding of an emergency as required by R309-705-9. Total 100

Priority Rating = (Average Points Received) x (Rate Factor) x (AGI Factor)

Where:

* Rate Factor = (Average System Water Bill/Average State Water Bill)

** AGI Factor = (State Median AGI/System Median AGI)

(2) Financial Assistance Determination. The amount and type of financial assistance offered will be based upon the criteria shown in Table 2. As determined by Board resolution, disadvantaged communities may also receive zero-percent loans, or other financial assistance as described herein.

Effective rate calculation methods will be determined by Board resolution from time to time, using the Revenue Bond Buyer Index (RBBI) as a basis point, the points assigned in Table 2, and a method to reduce the interest rate from a recent RBBI rate down to a potential minimum of zero percent. To encourage rapid repayment of a loan the Board will increase the interest rate 0.02

per cent (0.02%) for each year the repayment period exceeds five (5.0) years.

TABLE 2
INTEREST, HARDSHIP GRANT FEE AND OTHER FEES REDUCTION FACTORS
POINTS

1. COST EFFECTIVENESS RATIO (SELECT ONE)

A. Project cost \$0 to \$500 per benefitting connection	13
B. \$501 to \$1,500	11
C. \$1,501 to \$2,000	9
D. \$2,001 to \$3,000	6
E. \$3,001 to \$5,000	3
F. \$5,001 to \$10,000	1
G. Over \$10,000	0

~~[2.] PRIVATE SECTOR OR OTHER FUNDING, BUT NOT OWN CONTRIBUTION (SELECT ONE)~~

A. A reasonable search for it has been made without success	10
B. Will provide greater than 50% of project cost	10
C. Will provide 25 to 49% of project cost	8
D. Will provide 10 to 24% of project cost	5
E. Will provide 1 to 9% of project cost	3
F. Has not been investigated	0

~~[3.]~~ 2. CURRENT LOCAL MEDIAN ADJUSTED GROSS INCOME (AGI) (SELECT ONE)

A. Less than 70% of State Median AGI	[15] <u>16</u>
B. 71 to [90] 80% of State Median AGI	[12] <u>14</u>
C. <u>81 to 95% of State Median AGI</u>	<u>12</u>
[E] D. [91] 96 to [115] 110% of State Median AGI	9
[D] E. [116] 111 to [135] 130% of State Median AGI	6
[E] F. [136] 131 to [160] 150% of State Median AGI	3
[F] G. Greater than [161] 150% of State Median AGI	0

~~[4.]~~ 3. APPLICANT'S COMMITMENT TO PROJECT
PROJECT FUNDING CONTRIBUTED BY APPLICANT (SELECT ONE)

A. Greater than 25% of project funds	[12] <u>15</u>
B. [10] 15 to 25% of project funds	[9] <u>12</u>
C. <u>10 to 15% of project funds</u>	<u>9</u>
[E] D. 5 to 9% of project funds	6
[D] E. 2 to 4% of project funds	3
[E] F. Less than 2% of project funds	0

4 and 5. ABILITY TO REPAY LOAN:

~~[5A]~~ 4. WATER BILL (INCLUDING TAXES) AFTER PROJECT IS
BUILT RELATIVE TO LOCAL MEDIAN ADJUSTED GROSS

INCOME (SELECT ONE)

- | | |
|--|----|
| [a] A. Greater than 2.50% of local median AGI | 15 |
| [b] B. 2.01 to 2.50% of local median AGI | 11 |
| [e] C. 1.51 to 2.00% of local median AGI | 7 |
| [d] D. 1.01 to 1.50% of local median AGI | 3 |
| [e] E. 0 to 1.00% of local median AGI | 0 |

5 [B]. TOTAL DEBT LOAD (PRINCIPAL ONLY) OF APPLICANT
AFTER PROJECT IS CONSTRUCTED (INCLUDING WATER
AND SEWER DEBT, LIGHTING DEBT, SCHOOL DEBT,
ETC.) (SELECT ONE)

- | | |
|---|----|
| [a] A. Greater than 12% of fair market value | 15 |
| [b] B. 8.1 to 12% of fair market value | 12 |
| [e] C. 4.1 to 8.0% of fair market value | 9 |
| [d] D. 2.1 to 4.0% of fair market value | 6 |
| [e] E. 1.0 to 2.0% of fair market value | 3 |
| [f] F. Less than 1% of fair market value | 0 |

6. SPECIAL INCENTIVES
Applicant:

- | | |
|--|---------------|
| [A. is using a master plan which includes
water management and conservation | 4] |
| [B] A. has a replacement fund receiving annual
deposits of 5% of drinking water budget | [4] <u>5</u> |
| [E] B. is creating or enhancing a regionalization
Plan * | [4] <u>16</u> |
| [D] C. has a rate structure encouraging conservation | [4] <u>5</u> |
| [E. has received a Quality Community designation | 4] |

TOTAL POSSIBLE POINTS FOR FINANCIAL NEED 100

*Note: If the possibility of regionalization does not exist or if other factors, such as neighboring communities refuse to regionalize with the applicant, then the total possible points will be reduced to 84 points for calculation of the interest rate.

R309-705-7. Project Authorization.

A project may receive written authorization for financial or technical assistance from the Board following submission and favorable review of an application form, engineering report (if required), capacity development (including financial capability) assessment and staff feasibility report. The engineering report shall include a cost effective analysis of feasible project alternatives capable of meeting State and Federal drinking water requirements. It shall include consideration of monetary costs including the present worth or equivalent annual value of all capital costs, operation, maintenance, and replacement costs. The alternative selected must be the most economical means of meeting applicable State and Federal drinking water requirements over the

useful life of the facility while recognizing environmental and other nonmonetary considerations.

Once the application submittals are reviewed, the staff will prepare a project feasibility report for the Board's consideration in Authorizing a project. The project feasibility report will include an evaluation of the project with regard to the Board's funding priority criteria, and will contain recommendations for the type of financial assistance which may be extended (i.e., for a loan, credit enhancement agreement, or interest buy-down agreement).

The Board may authorize financial assistance for any work or facility to provide water for human consumption and other domestic uses. Generally, work means planning, engineering design, or other eligible activities defined elsewhere in these rules.

Project Authorization is conditioned upon the availability of funds at the time of loan closing or signing of the credit enhancement, or interest buy-down and upon adherence to the project schedule approved at that time. The Board, at its own discretion, may require the Applicant to enter into a "Commitment Agreement" with the Board prior to execution of final loan documents or closing of the loan. This Commitment Agreement or Binding Commitment may specify date(s) by which the Applicant must complete the requirements set forth in the Project Authorization Letter. The Commitment Agreement shall state that if the Department of Environmental Quality acting through the Drinking Water Board is unable to make the Loan by the Loan Date, this Agreement shall terminate without any liability accruing to the Department or the Applicant hereunder. Also, if the project does not proceed according to the project schedule, the Board may withdraw project Authorization, so that projects which are ready to proceed can obtain necessary funding. Extensions to the project schedule may be considered by the Board, but any extension requested must be fully justified.

R309-705-8. Financial Evaluations.

(1) The Board considers it a proper function to assist project applicants in obtaining funding from such financing sources as may be available.

(2) In providing financial assistance in the form of a loan, the Board may purchase bonds of the applicant only if the bonds are accompanied by a legal opinion of recognized municipal bond counsel. Bond counsel must provide an opinion that the bonds are legal and binding under applicable Utah law (including, if applicable, the Utah Municipal Bond Act). For bonds of \$150,000 or less the Board will not require this opinion.

(3) In providing financial assistance in the form of a loan, the Board may purchase either taxable or non-taxable bonds; or a secured promissory note provided that it shall be the general preference of the Board to purchase bonds issued by the applicant only if the bonds are tax exempt. Tax-exempt bonds must be accompanied by a legal opinion of recognized municipal bond counsel to the effect that the Interest and the Hardship Grant

Assessment, or a fee (also interest) on the bonds is exempt from federal income taxation. Such an opinion must be obtained by the applicant in the following situations:

(a) Bonds which are issued to finance a project which will also be financed in part at any time by the proceeds of other bonds which are exempt from federal income taxation.

(b) Bonds which are not subject to the arbitrage rebate provisions of Section 148 of the Internal Revenue Code of 1986 (or successor provision of similar intent), including, without limitation, bonds covered by the "small governmental units" exemption contained in Section 148(f)(4)(c) of the Internal Revenue Code of 1986 (or any successor provision of similar intent) and bonds which are not subject to arbitrage rebate because the gross proceeds from the loan will be completely expended within six months after the issuance of such bonds.

(4) If more than 25 percent of the project is to serve industry, bond counsel must evaluate the loan to ensure the tax exempt status of the loan fund.

(5) Revenue bonds purchased by the Board shall be secured by a pledge of water system revenues, and it is the general policy of the Board that the pledge of water revenues for the payment of debt service (principal and/or Hardship Grant Assessment) on a particular revenue bond be on a parity with the pledge of those water revenues as security for the debt service payments on all other bonds or other forms of indebtedness which are secured by the water revenues.

(6) If a project is Authorized to receive a loan, the Board will establish the portion of the construction cost to be included in the loan and will set the terms for the loan. It is the Board's intent to avoid repayment schedules exceeding the design life of the project facilities.

(7) Normal engineering and investigation costs incurred by the Department of Environmental Quality (DEQ) or Board during preliminary project investigation and prior to Board Authorization will not become a charge to the applicant if the project is found infeasible, denied by the Board, or if the applicant withdraws the Application prior to the Board's Authorization.

If the credit enhancement agreement or interest buy-down agreement does not involve a loan of funds from the Board administrative costs will not be charged to the project. However, if the Board Authorizes a loan for the project, all costs incurred by the DEQ or Board on the project will be charged against the project and paid by the applicant as a part of the total project cost. Generally, this will include all DEQ and Board costs incurred from the beginning of the preliminary investigations through the end of construction and close-out of the project. If the applicant decides not to build the project after the Board has Authorized the project, all costs accrued after the Authorization date will be reimbursed by the applicant to the Board.

(8) The Board shall determine the date on which the scheduled payments of principal, Hardship Grant Assessment, and interest will be made. In fixing this date, all possible

contingencies shall be considered, and the Board may allow the system up to one year of actual use of the project facilities before the first repayment of principal is required.

(9) The applicant shall furnish the Board with acceptable evidence that the applicant is capable of paying its share of the construction costs during the construction period.

(10) LOANS AND INTEREST BUY-DOWN AGREEMENTS ONLY - The Board may require, as part of the loan or interest buy-down agreement, that any local funds which are to be used in financing the project be committed to construction prior to or concurrent with the committal of State funds.

(11) The Board will not forgive the applicant of any payment after the payment is due.

(12) The Board will require that a debt service reserve account be established by the applicant at or before the time that the loan is closed. Deposits to that account shall be made at least annually in the amount of one-tenth of the annual payment on the bond(s) purchased by the Board and shall continue until the total amount in the debt service reserve fund is equal to the annual payment. The debt service reserve account shall be continued until the bond is retired. Failure to maintain the reserve account will constitute a technical default on the bond(s).

(13) The Board will require a capital facilities replacement reserve account be established at or before the loan is closed. Deposits to that account shall be made at least annually in the amount of five percent (5%) of the applicant's annual drinking water system budget, including depreciation, unless otherwise specified by the Board at the time of loan authorization, until the loan is repaid. This fund shall not serve as security for the payment of principal or Hardship Grant Assessment on the loan. The applicant shall adopt such resolutions as necessary to limit the use of the fund to construct capital facilities for its water system. The applicant will not need the consent of the Board prior to making any expenditure from the fund. Failure to maintain the reserve account will constitute a technical default on the bond(s) and may result in penalties being assessed.

(14) If the Board is to purchase a revenue bond, the Board will require that the applicant's water rates be established such that sufficient net revenue will be raised to provide at least 125% or such other amount as the Board may determine of the total annual debt service.

(15) The applicant must have adopted a Water Management and Conservation Plan prior to executing the loan agreement.

R309-705-9. Emergency Assistance.

(1) Authority: Title 73, Chapter 10c of State Statute and the SDWA Amendment of 1996 give the Board authority to provide emergency assistance to drinking water systems.

(2) Eligibility: Generally, any situation occurring as defined in Section R309-705-3 would qualify for consideration for emergency funding. However, prior to authorizing funds for an

emergency, the Board may consider one or more of the various factors listed below:

(i) Was the emergency preventable? Did the utility / water system have knowledge that this emergency could be expected? If not. Should it have been aware of the potential for this problem? Did its management take reasonable action to either prevent it or to be as prepared as reasonably possible to correct the problem when it occurred (prepared financially and technically for the event causing the problem)?

(ii) Has the utility / system established a capital improvement replacement reserve fund? Has the utility / system been charging reasonably high rates in order to establish a reserve fund to cover normal infrastructure replacement and emergencies?

(iii) Is the community a disadvantaged (hardship) community?

(iv) Is the potential for illness, injury, or other harm to the public or system operators sufficiently high that the value of providing financial assistance outweighs other factors that would preclude providing this assistance. (Even though the State does not have any legal obligation to provide financial assistance to help correct the problem.).

(3) Requirements for the Applicant: The applicant will be required to do the following as a condition of receiving financial assistance to cope with a drinking water emergency:

(i) To the extent feasible, the utility / system shall first use its own resources, e.g. capital improvement replacement fund, to correct the problem.

(ii) If the utility / system is not placing funds into a reserve fund on a regular basis and / or is charging relatively low water rates it shall be required to examine its current rate structure and policies for placing funds into a reserve account. The Board may require the utility / system to establish a reserve account and / or to revise its rate structure (increasing its rate) as a condition of the loan.

(iii) The Board may place other requirements on the utility / system.

(4) Financial Agreements, Bonding, etc: The State will work with the Applicant to help secure obligating documents. For example, the Board:

(i) Could waive the 30-day notice period, if legally possible.

(ii) Could accept a generic bond.

(iii) Could accept an unsecured loan or bond.

(5) Funding Alternatives: An Applicant may be authorized to receive a loan by any of the financial assistance methods specified in R309-705-4 for funding an emergency project. The Board may set and revise the methodology and factors to be considered when determining the terms of financial assistance it provides including assigning a priority it deems appropriate. The terms of the loan, including length of repayment period, interest or hardship grant assessment, and principal forgiveness (grant) or repayment waivers will be determined at the time the emergency

funding is authorized.

(6) Funding Process - The Board must find that an emergency exists according to the criteria in R309-705-9(2). It is anticipated that under normal emergency conditions time restraints will not allow a request for emergency funding to be placed on the agenda of a regularly scheduled Board meeting or adoption and advertisement of a project priority list. Therefore, the following procedures will be followed in processing a loan application for emergency assistance:

(i) Division staff will evaluate each application for emergency funding according to the criteria listed in R309-705-9(2). Staff will solicit recommendations from the LHD and District Engineer about the proposed project to mitigate the emergency. Staff will submit a report of its findings to the Board Chairperson or designee.

(ii) The Board Chairperson or designee will arrange for a timely meeting of the Board to consider authorizing assistance for the emergency. This meeting may be conducted by telephone.

R309-705-10. Committal of Funds and Approval of Agreements.

After the Board has issued a Plan Approval, the loan, credit enhancement, interest buy-down, or hardship grant will be considered by the Board for final approval. The Board will determine whether the agreement is in proper order. The Executive Secretary, or designee, may then execute the loan or credit enhancement agreement if no aspects of the project have changed significantly since the Board's authorization of the loan or credit enhancement, provided all conditions imposed by the Board have been met. If significant changes have occurred the Board will then review the project and, if satisfied, the Board will then commit funds, approve the signing of the contract, credit enhancement agreement, or interest buy-down agreement, and instruct the Executive Secretary to submit a copy of the signed contract or agreement to the Division of Finance.

R309-705-11. Construction.

The Division of Drinking Water staff may conduct inspections and will report to the applicant and applicant's engineer. Contract change orders must be properly negotiated with the contractor and approved in writing. Change orders in excess of \$10,000 must receive prior written approval by the Executive Secretary before execution. When the project is complete to the satisfaction of the applicant, the applicant's engineer, and the Executive Secretary, written approval will be issued by the Executive Secretary in accordance with R309-500-9 to commence using the project facilities.

R309-705-12. Compliance with Federal Requirements.

(1) Applicants must show the legal, institutional, managerial, and financial capability to construct, operate, and maintain the drinking water system(s) that the project will serve.

(2) Applicant(s) shall require its contractors to comply

with federal provisions for disadvantaged business enterprises and exclusions for businesses under suspension and/or debarment. Any bidder not complying with these requirements shall be considered a non-responsive bidder.

(3) As required by Federal Code, applicants may be subject to the following federal requirements (all assessments shall consider the impacts of the project twenty (20) years into the future):

Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended

Clean Air Act, Pub. L. 84-159, as amended

Coastal Barrier Resources Act, Pub. L. 97-348

Coastal Zone Management Act, Pub. L. 92-583, as amended

Endangered Species Act, Pub. L. 92-583

Environmental Justice, Executive Order 12898

Floodplain Management, Executive Order 11988 as amended by Executive Order 12148

Protection of Wetlands, Executive Order 11990

Farmland Protection Policy Act, Pub. L. 97-98

Fish and Wildlife Coordination Act, Pub. L. 85-624

National Environmental Policy Act of 1969 (NEPA), Pub. L. 91-190

National Historic Preservation Act of 1966, PL 89-665, as amended

Safe Drinking Water Act, Pub. L. 93-523, as amended

Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Age Discrimination Act of 1975, Pub. L. 94-135

Title VI of the Civil Rights Act of 1964, Pub. L. 88-352

Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)

Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)

The Drug-Free Workplace Act of 1988, Pub. L. 100-690 (applies only to the capitalization grant recipient)

Equal Employment Opportunity, Executive Order 11246

Women's and Minority Business Enterprise, Executive Orders 11625, 12138 and 12432

Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590

Anti-Lobbying Provisions (40 CFR Part 30)

Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended

Procurement Prohibitions under Section 306 of the Clean Water Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans

Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended

Debarment and Suspension, Executive Order 12549

Accounting procedures, whereby applicants agree to maintain a separate project account in accordance with Generally Accepted

Rule R309-705, Revisions
August 31, 2007
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Accounting Standards and Utah State Uniform Accounting
requirements.

KEY: SDWA, financial assistance, loans

Date of Enactment or Last Substantive Amendment: August 6, 2004

Notice of Continuation: April 2, 2007

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